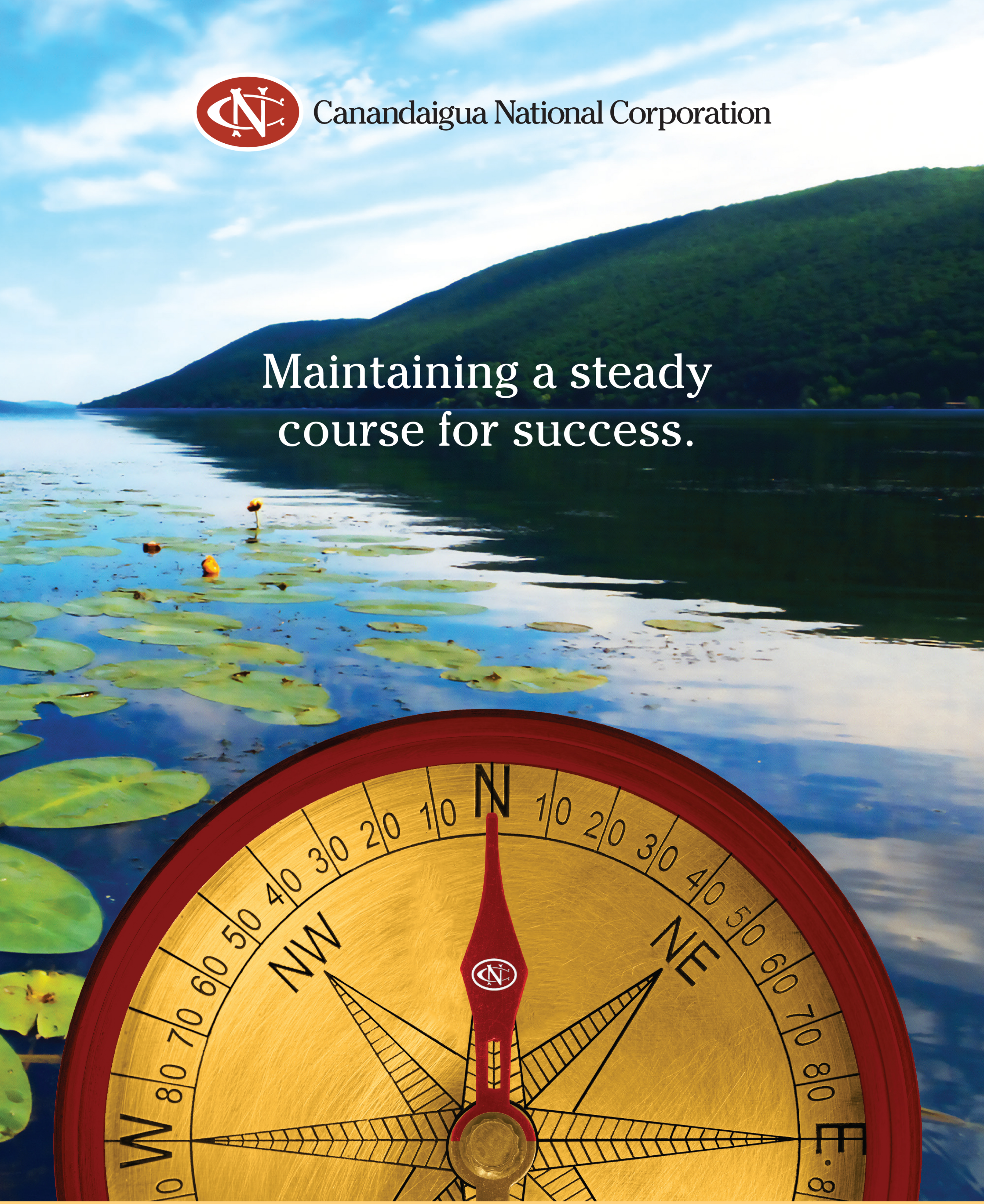
Canandaigua National Corporation

Maintaining a steady course for success.



2022 ANNUAL REPORT & FINANCIAL STATEMENTS

Navigating By Our Internal Compass

True North refers to an inner sense or calling. At Canandaigua National Bank & Trust, we embody this concept by leading with authenticity, values and purpose.

Our core values are our internal compass. So before making any business decisions, we carefully consider how they will affect the people who rely on us: our valued customers, the communities we serve, our employees and shareholders. “In all, 2022 was another successful year,” said President and CEO Frank H. Hamlin, III. “As we march into the challenges and opportunities of 2023, we continue to do so with a strong and loyal customer base, a strong dedication to our community and a strong brand.”

Strong Returns in a Volatile Market

Back in 2009, Canandaigua National Trust Company of Florida (CNTF) was established to provide a holistic approach to wealth management. In 2022, it again delivered.

CNTF grew its assets under management at a rate of 7.7% despite the economic turmoil, rising interest rates and market volatility. Our extraordinary growth in the face of the worst combined stock and bond returns in over 80 years is attributed to our ability to manage client assets in a thoughtful and conservative manner that achieves long-term client goals. CNTF looks forward to expanding its staff and services in 2023 with the continued mission of increasing our positive impact across the community.

February 3, 2023

A message from
Frank H. Hamlin, III,
President and CEO

Dear Shareholders,

Despite some unusual twists and turns, 2022 was a successful year for us. Net income and diluted earnings per share increased 6.9% to $47.9 million and 6.8% to $25.38, respectively, compared to 2021. Return on average assets for 2022 was 1.06%, while return on average equity was 15.32%. Our financial results were slightly better than we had predicted, even though our assumptions relating to changes in the federal funds rates were underestimated. Our stock price increased over 16% during the year, which was quite a contrast from the declines experienced in the broader equities markets. We were pleased to return a full year dividend per share of $8.70 to you in 2022, an increase of 14.5%, or $1.10 per share over the prior year.

The primary areas of focus throughout 2022 related to inflation, federal funds rate increases, unemployment rates and Gross Domestic Product, and their respective effects on our cost and pricing structures. As we entered the year, the inflation rate was 7.48%. The Federal Reserve target rate for inflation is 2%. The Federal Reserve had expressed hopes that inflation could be brought back down through rate increases during 2022. Inflation was more persistent than anticipated, creeping as high as 9.06% in June before slowly declining to 6.45% by December 2022. A brief view of the following table tells the story:

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
March 16, 2022	+25	0.25% to 0.50%
May 4, 2022	+50	0.75% to 1.00%
June 15, 2022	+75	1.50% to 1.75%
July 27, 2022	+75	2.25% to 2.50%
September 21, 2022	+75	3.00% to 3.25%
November 2, 2022	+75	3.75% to 4.00%
December 14, 2022	+50	4.25% to 4.50%

The Federal Reserve raised rates a total of 425 basis points in its effort to tamp down inflation while trying to avoid throwing the economy into recession. We can see how the Fed's dual mandate of stable prices (inflation) and "maximum employment" (low unemployment) can be at odds with one another depending on the environment. Here, the unemployment rate has been low for several reasons relating to the pandemic. Most employers have experienced difficulties in obtaining and retaining workers as we have attempted to return to normal operations.

With so many job openings and enhanced turnover, employers have been forced to increase wages to obtain and retain talent. Naturally, this materially increases one of the larger business expenses which requires firms to increase prices.

The stated purpose of raising interest rates is to cool off the economy, thereby lowering demand. With lowered demand, prices—and by implication, unemployment rates—should readjust. The current target unemployment rate set by the Federal Reserve is 4.4%. Nationally the unemployment rate is 3.7%, whereas locally it is less than 3% (Monroe County 2.9%, Ontario County 2.7%) as of the end of December 2022. The movement of interest rates is a blunt instrument which takes time to have effect throughout the economy. Locally, we have certainly felt the effects of inflation in food, energy, housing, cars and service prices.

In 2022, we expected a slowing in overall lending demand, as purchasing power decreases inversely with interest rates. Additionally, we expected a decrease in credit quality as savings rates returned to normal levels and credit card debt balances have risen nationally; both returning to normal levels as stimulus money is spent down and the service sector has reopened. We were pleasantly surprised to see our credit quality hold at historically pristine levels throughout 2022.

Our residential mortgage business was half that of 2021 in units and dollars. This was expected due to the exceptional refinance business precipitated from the interest rate environment in 2020 and 2021. Purchase money mortgages also popped up with the fall of interest rates in 2020 and through 2021—although due to the lack of housing on the market, prices increased materially, resulting in the bidding wars we have all heard of through friends and family. On average, home prices increased 12% between 2020 and 2021 and another 15% between 2021 and 2022. In 2022, purchase prices began moderating as we progressed through the year and interest rates increased, thereby decreasing affordability. We also experienced a larger number of mortgages coming onto our balance sheet instead of being sold on the secondary market. In the long term, this helps us, as these assets will earn interest at enhanced rates over the life of those loans. In terms of 2022, however, this resulted in $3.2 million less revenue from sales to the secondary market than we had anticipated, thus hurting our non-interest income. Overall, our residential mortgage portfolio grew 20% in 2022.

We have a similar story to the above when we talk about our indirect lending portfolio which represents about 25% of our lending portfolio. The pandemic and related supply chain problems have materially affected the auto market. Average prices of used cars have increased by 45% from prices in 2020. Car manufacturers have not been able to make cars in large part due to supply shortages of microchips. Nonetheless, our indirect lending business boomed in 2020 and 2021, leading us to plan on a reduction in this type of lending in 2022. Car loans are sensitive to changes in interest rates which again negatively impact affordability. Year over year, this portfolio grew only 3.9% which was intentional as we watch credit quality metrics of this portfolio as the canary in the proverbial credit coal mine. Throughout the year we have been steadily raising indirect rates in parallel with anticipated federal funds rate increases, while paying attention to deal volume and our competitors. Although there have been some small credit union holdouts, we have generally witnessed our competitors increasing their rates commensurate with our moves.

Our commercial production grew a robust 12.6% over 2021. This was materially more than expected. Over the course of the year, we have witnessed this market soften, however not to the level expected. Although present, supply chain problems have largely been mitigated by our commercial borrowers, either finding alternative sources for material or through pre-buying and building inventory for the necessary components of their businesses. Most businesses have been able to increase rents and/or prices to offset increased costs of doing business. Our local markets have proven resilient and innovative in managing current economic conditions. Many local businesses and real estate projects are performing better than national averages. The increase in interest rates has forced businesses to reassess their business models and projections, but we have not yet seen a material pullback in activity in general locally.

Wealth Management increased income by 1.1% over 2021 despite significant market headwinds experienced during 2022. In large part this area derives income from fees based upon market value of assets under management. Throughout 2022, the S&P 500 and the Dow Jones Industrial Average decreased by 19.44% and 8.78%, respectively. During this type of market, significant efforts are spent with clients ensuring they don't panic and sell at the bottom of a market cycle. Through those conversations and others, we were able to grow the book value of our assets under management over the prior year by 4.4%, or $152 million, in a declining market. This is outstanding!

Generally, in a rising rate environment we benefit as asset rates reprice more quickly than we are required to reprice our liabilities. The increase of rates in 2022, along with asset growth, did significantly increase our interest income by 20.5% or $28.5 million year over year. The increase of rates by 425 bps over twelve months was more rapid than anticipated and increased our funding costs more rapidly. Thus, our interest expense increased 102.4% or $11.8 million. Repricing of wholesale funding sources popped up very quickly and we acted quickly to increase our deposit and CD rates to bring in deposits to fund our loan volume. The resulting impact of these factors was an increase in net interest income of 13.1%, or $16.7 million, year over year.

I'll remind the reader that we started 2022 with COVID-19 in the forefront of our minds. Infection rates and transmissibility concerns were very much under consideration in terms of in-person gathering and thus, coming into the office. Different areas of the organization had differing flexibility relating to remote work depending on task. For example, those in customer facing roles or back-office roles using specific equipment have less flexibility to work remotely. Others can fulfill their obligations largely through the use of a computer, which can happen just about anywhere. As COVID-19 has become less of a factor, understanding and recognizing the value of both working remotely and being in the same room has presented some challenges. From the pandemic we learned that we can be highly productive operating in a remote-work environment. We also learned that there are consequences to working remotely over the long term and there are certain activities that are more effectively executed in-person.

We held a series of "focus groups" at the bank throughout 2022, based upon what we were hearing through staff surveys and other points of communication. The first "focus group" related to "the future of remote working" and ironically was held in-person, only. The group was comprised of those in different roles, tenure and authority throughout the organization and was heavily attended by those still working predominantly remotely. It was generally recognized that there is a cultural cost with an extended remote work environment. Even with technology granting the ability to reach out to everyone in the company, less meaningful communication happens and the circle of people who communicate diminishes over time in a remote-only environment. It turns out there is a lot of meaningful communication occurring spontaneously at the "water cooler." Contrary to my expectations, it was those who were new in their positions (and perhaps thus tending to be younger) who lamented a loss of learning opportunities through those more experienced and thus wanting more in-person opportunities. Our roles are as much about contributing to others in energy, encouragement, and knowledge transfer as they are about our individual, task based, job descriptions.

I can't say we have answered the "remote work" question except to say that it is a wonderful tool in a variety of circumstances which we will continue to use while also paying close attention to cultural implications. Nonetheless, the "focus groups" held throughout the year were one of several important initiatives aimed at bringing people together again. Great people having great conversations.

On the legislative front, we have been watching a number of developments. Several years ago, the New York State legislature legalized recreational use marijuana within the state. New York State joins approximately 3/4 of the nation in allowing for some form of legalized marijuana. The federal government still classifies marijuana as a Schedule 1 drug, thereby making it illegal to use, possess or produce in any form whatsoever. It also continues to be illegal for any financial institution to handle the proceeds of sale or distribution relating to marijuana as this would be construed as money laundering under federal law. Where recreational use has been legalized in particular, this creates a situation where large sums of money are being stored outside of the banking system, thereby requiring proprietors of marijuana businesses in states where it is legal to possess very large sums of money on premises. This of course allows for the opportunity to underreport earnings for taxation purposes, yet more importantly has created an environment ripe for the use of violence against business owners and their employees by those intent on stealing large sums of money. Throughout the United States, there have already been several instances of homicide relating to the robbery of dispensaries. This is no longer a mere theoretical risk. There have been numerous attempts over the last several years to provide legislation which would allow depository institutions to accept these deposits without it being a crime. A majority exists in both parties for passage of such legislation. However, without surprise, our federal legislature is unable to get their act together. Currently, we do not expect any kind of legislation will be passed before the next federal election cycle.

On the state level, there have been conversations around the creation of "Public Banks". The proposed purpose of these banks would be to provide services to those deemed underserved by the current system of banks and credit unions. Specifically what products and services they are looking to provide has not yet been defined, nor how those products and services will be provided without enormous additional expense laid upon the tax payer.

This concept is not new and has been tried in a number of different forms and at different times throughout the history of our country. Generally, these concepts are studied and abandoned. Those that move forward generally fail at taxpayer expense. This is a complicated business with an enormous regulatory burden. "Profit" is generally viewed as evil by politicians and consumer groups, while it is those profits which turn into capital which allows for income which allows us to survive losses stemming from failed businesses and other unsuccessful endeavors within our community. Who will pay for the losses in a "Public Bank" paradigm?

We continue to monitor changes being made relating to Fair Lending and the Community Reinvestment Act. Although the subject matter covered by both bodies of law is very important, the constant modification of reporting requirements becomes extraordinarily expensive first to interpret and then to integrate into our human and technical processes. Moreover, without universal application of these requirements upon all material participants in the intermediation business, policy makers and advocacy groups fall into the trap of making conclusions based upon incomplete and/or inconsistently collected information. Due to the expense associated with the reporting of this data, there have been great efforts by various industry groups to dodge these requirements and they have been very successful in doing so. I don't expect this to change in the near future, if ever.

Cryptocurrency is another subject matter that we have been taking time to educate ourselves on, in light of all the discussions in the media and by policymakers. The stated purpose of cryptocurrency is to make the traditional banking system obsolete through the elimination of intermediaries in the payments system, providing immutable security and eliminating the ability of third parties, such as central banks to manipulate the money supply and thus serve as a stable hedge against inflation, and so forth…

The reality of cryptocurrencies is that they are at best a highly volatile asset with no intrinsic value. It will take some time before they attain a modicum of security and stability necessary to be used as a true currency. We have chosen to hold off on introducing cryptocurrency services on our banking platforms. To do otherwise would be inconsistent with our mission of providing prudent financial education and advice to our customer base. Nonetheless, we have taken steps to ensure we are able to transact in cryptocurrency in order to fulfill our role as a fiduciary, in the context of administering trusts and decedents' estates.

Being a community bank, our primary objective is to support the communities we serve. In 2022, I was particularly proud to serve as the Campaign Chairman for the United Way. The United Way works to raise funds, validate and support a myriad of organizations within our communities to provide for a broad spectrum of social need. CNB has a long history of working with and supporting the United Way, so in 2022 we put up a $500,000 matching funds challenge which was quickly responded to. Overall, the campaign was very successful, amounting to approximately $17.9 million dollars raised over the six-county service area. Combined with additional United Way grants and initiatives, a grand total of $35.8 million was raised. Although 2023 brings a new campaign chair, Canandaigua National Bank & Trust will continue in its support of the United Way, as we always have.

In addition to our giving through the United Way, we also continued to provide direct support to organizations throughout our community through sponsorships, employee involvement and of course, direct charitable contribution. This giving was significantly important in 2022 due to the effects of inflation on the costs of food and fuel. There is significant need throughout our community and we continue to meet with people and organizations trying to meet those needs. We continue to look for opportunities to have an impact within our community and ask you as shareholders to encourage members within our community to contact us with potential opportunities. The more we know about what is going on in the community, the more we can help.

We had a number of retirements at the end of 2022 which have been detailed later on in this booklet. Nonetheless, there are two in particular that together equate to over 85 years of institutional knowledge, and whom I have worked closely with during my tenure at the bank. The first retirement is that of Vicki Mandrino, who most recently served as the head of our compliance area. Although Vicki would not admit it, her breadth of knowledge in the area of banking regulation makes her one of the most experienced experts in the field. Her analysis was thorough, and her judgment was impeccable. I am thankful for the time she put into preparing her successor for the compliance role and feel extremely comfortable with her choice. Nonetheless, I thank Vicki for her direct role in navigating this complex regulatory environment throughout her 42-year career and the exceptional growth of this organization during that time.

The second person I need to mention is Steve Martin, who retired from our Community Relations role. Over his 44-year tenure, Steve served in just about every role where there was a need. As the institution grew, he took on what became the Human Resources department and then Marketing and then Public Relations areas. Steve is a man who is known by people in every corner of our community whether it be education, not-for-profits, political, regulatory or any community group you can imagine. He worked very closely with my father as they navigated the community environment, and then with me. Aside from his formal roles, for me he has been a coach, mentor and counselor. I will miss our discussions relating to the many unusual situations we bump into while navigating this business.

With Steve Martin's departure, we needed someone to fill the public relations and engagement role. In a fortuitous collision of circumstances, we were able to bring on Ginny Ryan upon her departure from Channel 13 News. After 35 years of reporting on stories within the community, we are very excited to have her join us and help tell our stories within the community!

I am also happy to report that we attracted a new board member. In late 2022, Erika Duthiers accepted a position on our board. Erika is currently employed as Associate Vice President of Compliance and Ethics and Deputy General Counsel for RIT. I look forward to leveraging her experience and judgement as we continue to navigate this heavily regulated business called banking.

In all, 2022 was another successful year. As we march into the challenges and opportunities of 2023, we continue to do so with a strong and loyal customer base, a strong dedication to our community and a strong brand. As one of our executives says often, "our brand is a promise; and it is our people that are the promise keepers!" We continue to invest in our people, which feeds our culture and ultimately leads to the delivery of a high-quality customer experience. I thank you for investing in our mission and sharing in our belief that a thriving community bank is important for a healthy community. Thank you for your support and I look forward to reporting on our mid-year progress.

Sincerely,

Frank H. Hamlin III

Frank H. Hamlin, III
President and CEO

CNC Shareholder Relations

Canandaigua National Corporation (CNC) is the holding company for The Canandaigua National Bank & Trust Company (CNB) and Canandaigua National Trust Company of Florida (CNTF). In combination, these companies and their subsidiaries provide a full range of financial services, including banking, trust, lending, mortgage services, investment management, and insurance services to individuals, corporations, and municipalities.

CNB is an independent community bank and a member of the FDIC. CNC stock is not traded on an exchange like other Wall Street stocks, but in auctions based on purchase and sale bids submitted in a sealed-bid process.

Consistent with our strategy as a community bank, we make decisions locally–based solely on what's best for our valued customers, the communities we serve, our employees, and our shareholders.

As one of CNC's constituents, shareholders are an important part of our past success and bright future. Many of our shareholders are also colleagues, community members, and customers who have been a part of the CNC family for generations.

Scott B. Trumbower
Senior Vice President
Director of Shareholder Relations
(585) 394-4260 x 50611
STrumbower@CNBank.com

Kirsten Johnson
Shareholder Relations Specialist
(585) 394-4260 x 36067
KJohnson@CNBank.com

Shareholder Relations Team

The Shareholder Relations Team is dedicated to assisting current and prospective shareholders with inquiries and a variety of shareholder-related activities. These may include buying, selling, and gifting shares; tax cost basis research; dividend payment details; updating contact information; exchanging physical certificates for safer book entry statements; and all general CNC questions.

2022 Shareholder Relations Updates

We are pleased to share the continued development of the Shareholder Relations page located on the Canandaigua National Bank & Trust website: CNBank.com/ShareholderRelations. On this page you will find current share price, recent high/low bids, the date of our next stock sale, dividend information, and more. This information is regularly updated and available online at your convenience.

The new Shareholder Advisory Group provided some valuable insights, guidance, and feedback in our first year together, as we continue to develop our overall shareholder experience.

Finally, please take a moment and provide us with your current email address and phone number so we can stay in touch with you.

Your Shareholder Relations Team is located at:
CNB Main Office, Wealth Management Suite
72 South Main Street, Canandaigua, NY 14424

CANANDAIGUA NATIONAL CORPORATION
72 South Main Street
Canandaigua, New York 14424
Phone: 585-394-4260
1-800-724-2621
Fax: 585-394-4001
Internet: www.cnbank.com

2022 Annual Report

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Annual Meeting

The Annual Meeting of Shareholders of Canandaigua National Corporation (the Company) will be held virtually via live webcast on the website www.cesonlineservices.com/cnnd23_vm and in person at 72 South Main Street, Canandaigua, NY, 14424; Wednesday, April 19, 2023, at 1:00 p.m.

Note: To participate via webcast, a shareholder must pre-register at www.cesonlineservices.com/cnnd23_vm no later than 1:00 p.m. Eastern Time, Tuesday, April 18, 2023, 24 hours prior to the start of the meeting. You will need your proxy card containing your 11-digit control number in order to complete the pre-registration.

Presented below is a summary of selected financial highlights to display a snapshot of our performance for the past five years. Balance sheet information is as of the year end, while income statement and average balance information is for the full-year period. This and all information concerning our financial performance should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

Additional information on the Company's Common Stock, including quarterly high, low, and weighted average sales prices associated with sealed-bid public auctions administered by the Bank's Trust Department is available on the Company's website. (https://www.cnbank.com/Your_Bank/About_Us/CNC_Financials/)

Financial Highlights
(Dollars in thousands except per share data)

	2022	% Change	2021	2020	2019	2018
Income Statement Information:						
Net interest income	$ 144,109	13.1 %	127,396	108,044	100,426	93,307
Provision for loan losses	5,195	(30.0)%	7,416	13,592	6,850	7,775
Non-interest income [1]	50,734	(10.0)%	56,346	59,738	51,481	52,360
Operating expenses	126,001	7.2 %	117,577	99,091	94,472	91,844
Income taxes	15,787	12.8 %	14,000	12,829	11,402	10,131
Net income attributable to CNC	47,854	6.9 %	44,744	42,265	39,178	35,912
Balance Sheet Data - Period End:						
Investments [2]	$ 1,100,384	31.6 %	836,170	415,321	394,456	424,282
Loans, net	3,440,716	9.1 %	3,152,407	2,951,484	2,437,588	2,303,449
Assets	4,747,541	14.1 %	4,160,371	3,635,357	3,015,665	2,862,493
Deposits	3,762,068	7.0 %	3,515,990	2,965,948	2,387,940	2,240,985
Borrowings	528,200	164.1 %	200,000	250,000	250,000	305,100
Equity	312,559	(1.9)%	318,713	295,747	265,971	233,659
Balance Sheet Data - Average:						
Investments [2]	$ 1,010,851	58.8 %	636,456	391,105	401,288	397,446
Loans, net	3,317,597	6.8 %	3,106,898	2,805,615	2,374,738	2,231,890
Assets	4,529,920	14.9 %	3,942,058	3,419,157	2,954,166	2,768,540
Deposits	3,727,581	12.7 %	3,306,531	2,741,807	2,346,916	2,182,049
Borrowings	364,555	66.2 %	219,304	269,668	256,823	274,118
Equity	312,339	1.7 %	307,135	277,867	249,040	219,017
Asset Under Administration: [3]						
Market value	$ 4,238,899	(9.2)%	4,670,290	3,953,176	3,690,204	3,056,039
Per Share Data:						
Net income, basic	$ 25.51	6.8 %	23.90	22.57	20.91	19.16
Net income, diluted	25.38	6.8 %	23.77	22.43	20.77	18.97
Cash dividends	8.70	14.5 %	7.60	7.00	5.70	4.80
Book Value	166.88	(1.8)%	169.94	158.09	142.18	124.85
Closing stock price [4]	351.25	16.5 %	301.54	221.03	204.44	187.54
Weighted average shares - diluted	1,885,391	0.2 %	1,882,449	1,883,922	1,886,218	1,893,140
Other ratios:						
Return on average assets	1.06 %	(7.0)%	1.14 %	1.24 %	1.33 %	1.30 %
Return on average equity	15.32 %	5.1 %	14.57 %	15.21 %	15.73 %	16.40 %
Return on beginning equity	15.01 %	6.9 %	15.13 %	15.89 %	16.77 %	17.27 %
Dividend payout	34.28 %	7.2 %	31.97 %	31.20 %	27.44 %	25.31 %
Average equity to average assets	6.90 %	(11.4)%	7.79 %	8.13 %	8.43 %	7.91 %
Net interest margin	3.36 %	(1.2)%	3.40 %	3.37 %	3.62 %	3.58 %
Efficiency [5]	64.30 %	0.6 %	63.94 %	59.03 %	62.04 %	62.43 %
Employees (year end)						
Total	650	4.5 %	622	580	572	556
FTE's	617	4.8 %	589	549	536	516

(1) 2020 includes an $8.1 million gain on sale attributed to the sale of WBI OBS Financial, LLC (WBI) and 2018 includes a similar gain of $4.6 million from the sale of our minority interest in USA Payrolls, Inc.

(2) Includes the Company's investment in Federal Reserve Bank stock and Federal Home Loan Bank stock.

(3) These assets are held in a fiduciary or agency capacity for clients and are not included in our balance sheet.

(4) Price is based upon last sealed-bid auction of the respective year, administered by the Bank's Trust Department.

(5) Operating expenses, exclusive of intangible amortization, divided by total revenues.

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Canandaigua National Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Canandaigua National Corporation and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated February 24, 2023 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crowe LLP

Crowe LLP

Livingston, New Jersey
February 24, 2023

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(dollars in thousands, except share data)

		2022	2021
Assets			
Cash and due from banks	$	59,891	40,544
Interest-bearing deposits with other financial institutions		2,185	12,260
Federal funds sold		252	175
Cash and cash equivalents		62,328	52,979
Securities:			
- Debt, Available for sale, at fair value		543,563	812,748
- Debt, Held-to-maturity (fair value of $454,532 and $2,082, respectively)		526,830	2,026
- Equity, at fair value		7,673	8,677
Loans held for sale, at lower of cost or fair value		1,640	10,719
Loans, gross		3,477,511	3,186,713
Allowance for loan losses		(36,795)	(34,306)
Loans - net		3,440,716	3,152,407
Premises and equipment – net		22,446	18,702
Accrued interest receivable		15,254	11,011
Federal Home Loan Bank stock and Federal Reserve Bank stock		22,318	12,719
Goodwill		8,818	8,818
Other assets		95,955	69,565
Total Assets	$	4,747,541	4,160,371
Liabilities and Stockholders' Equity			
Deposits:			
Demand			
Non-interest bearing	$	966,712	998,105
Interest bearing		432,453	483,006
Savings and money market		1,603,833	1,430,922
Time		759,070	603,957
Total deposits		3,762,068	3,515,990
Borrowings		528,200	200,000
Junior subordinated debentures		51,547	51,547
Accrued interest payable and other liabilities		93,167	74,121
Total Liabilities		4,434,982	3,841,658
Stockholders' Equity:			
Canandaigua National Corporation stockholders' equity:			
Preferred stock, $.01 par value; 4,000,000 shares authorized, no shares issued or outstanding		-	-
Common stock, $5.00 par value; 16,000,000 shares authorized, 1,946,496 shares issued		9,732	9,732
Additional paid-in-capital		13,845	13,316
Retained earnings		345,957	314,581
Treasury stock, at cost (75,398 shares and 73,032 shares, respectively)		(14,417)	(12,209)
Accumulated other comprehensive loss, net		(42,869)	(7,048)
Total Canandaigua National Corporation Stockholders' Equity		312,248	318,372
Noncontrolling interests		311	341
Total Stockholders' Equity		312,559	318,713
Total Liabilities and Stockholders' Equity	$	4,747,541	4,160,371

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2022 and 2021
(dollars in thousands, except per share data)

		2022	2021
Interest income:			
Loans, including fees	$	148,915	130,388
Securities		18,264	8,478
Federal funds sold		6	1
Interest-bearing deposits with other financial institutions		251	57
Total interest income		167,436	138,924
Interest expense:			
Deposits		12,713	4,638
Borrowings		8,796	5,139
Junior subordinated debentures		1,818	1,751
Total interest expense		23,327	11,528
Net interest income		144,109	127,396
Provision for loan losses		5,195	7,416
Net interest income after provision for loan losses		138,914	119,980
Non-interest income:			
Service charges on deposit accounts		20,212	18,013
Trust and investment services		25,768	25,364
Net gain on sale of mortgage loans		1,661	8,410
Loan servicing, net		1,400	1,357
Loan-related fees		377	360
Loss on securities transactions, net		(20)	(45)
Other non-interest income		1,336	2,887
Total non-interest income		50,734	56,346
Operating expenses:			
Salaries and employee benefits		74,680	69,945
Technology and data processing		16,345	14,674
Occupancy, net		10,773	9,896
Professional and other services		7,067	7,078
Marketing and public relations		3,245	4,111
FDIC insurance		2,997	2,292
Office supplies, printing and postage		1,999	1,948
Other real estate operations		32	90
Other operating expenses		8,863	7,543
Total operating expenses		126,001	117,577
Income before income taxes		63,647	58,749
Income taxes		15,787	14,000
Net income		47,860	44,749
Net income attributable to noncontrolling interests		6	5
Net income attributable to Canandaigua National Corporation	$	47,854	44,744
Basic earnings per share	$	25.51	23.90
Diluted earnings per share	$	25.38	23.77

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2022 and 2021
(dollars in thousands)

		2022	2021
Net income	$	47,860	44,749
Other comprehensive income (loss):			
Unrealized net interest rate swap gains arising during the year, net of taxes of $105 and $266 respectively		299	766
Unrealized net security losses arising during the year, net of taxes of ($12,640) and ($3,012) respectively		(36,223)	(9,016)
Amortization of unrealized net losses on held-to-maturity securities transferred from available-for-sale securities, net of taxes of $47 and $0 respectively		103	-
Other comprehensive loss		(35,821)	(8,250)
Total comprehensive income	$	12,039	36,499
Comprehensive income attributable to the noncontrolling interests	$	6	5
Comprehensive income attributable to the Company	$	12,033	36,494

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2022 and 2021
(dollars in thousands, except share data)

	Number of Shares Outstanding		Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non controlling Interests	Total
Balance at December 31, 2020	1,870,373	$	9,732	12,982	284,284	(12,505)	1,202	52	295,747
Total comprehensive income			-	-	44,744	-	(8,250)	5	36,499
Purchase of treasury stock	(2,242)					(501)			(501)
Shares issued as compensation	824			64		123			187
Exercise of stock options and Stock -Appreciation Rights	4,509			270	(216)	674			728
Cash dividends declared ($7.60 per share)					(14,231)				(14,231)
Sale of noncontrolling interest								289	289
Dividend to noncontrolling interests								(5)	(5)
Balance at December 31, 2021	1,873,464	$	9,732	13,316	314,581	(12,209)	(7,048)	341	318,713
Total comprehensive income			-	-	47,854	-	(35,821)	6	12,039
Purchase of treasury stock	(1,538)					(506)			(506)
Sale of treasury stock	3			1		1			2
Shares issued as compensation	919			158		135			293
Exercise of stock options and Stock Appreciation Rights	3,832			370	(152)	562			780
Cash dividends declared ($8.70 per share)					(16,326)				(16,326)
Stock Repurchase	(5,582)					(2,400)			(2,400)
Purchase of noncontrolling interest								(30)	(30)
Dividend to noncontrolling interests								(6)	(6)
Balance at December 31, 2022	1,871,098	$	9,732	13,845	345,957	(14,417)	(42,869)	311	312,559

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2022 and 2021
(dollars in thousands)

	2022	2021
Cash flow from operating activities:		
Net income	$ 47,860	$ 44,749
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Depreciation, amortization and accretion	5,572	7,143
Provision for loan losses	5,195	7,416
Loss on sale of fixed and other assets and other real estate, net	(27)	(125)
Writedown of other real estate	-	11
Deferred income tax benefit	(1,552)	(2,499)
Loss on security transactions, net	20	45
Gain on sale of mortgage loans, net	(1,661)	(8,410)
Originations of loans held for sale	(149,799)	(403,165)
Proceeds from sale of loans held for sale	160,083	417,266
Change in other assets	(18,530)	11,695
Change in other liabilities	20,412	1,384
Loss on equity securities	1,004	255
Net change in operating lease right-of-use assets and liabilities	337	243
Net cash provided by operating activities	68,914	76,008
Cash flow from investing activities:		
Debt Securities, available-for-sale:		
Proceeds from maturities and calls	80,159	118,760
Purchases	(164,961)	(557,799)
Debt Securities, held to maturity:		
Proceeds from maturities and calls	40,589	3,277
Purchases	(261,881)	(2,123)
Loan originations in excess of principal collections, net	(293,594)	(208,767)
Purchase of premises and equipment, net	(6,482)	(6,588)
(Purchase) Redemption of Federal Home Loan Bank and Federal Reserve Bank stock	(9,599)	2,154
Proceeds from sale of other real estate	119	450
Net cash used in investing activities	(615,650)	(650,636)
Cash flow from financing activities:		
Net increase in demand, savings and money market deposits	90,965	427,833
Net increase in time deposits	155,113	122,209
Overnight and short-term borrowings, net	128,200	-
Proceeds from long-term borrowings	200,000	-
Principal repayments of other borrowings	-	(50,000)
Stock repurchase	(2,400)	-
Exercise of stock options	780	728
Payments to acquire treasury stock	(506)	(501)
Proceeds from issuance of treasury stock under stock option plan	293	187
Proceeds from issuance of treasury stock	2	-
Change in noncontrolling interest, net	(30)	289
Dividends paid	(16,332)	(14,236)
Net cash provided by financing activities	556,085	486,509
Net increase (decrease) in cash and cash equivalents	9,349	(88,119)
Cash & cash equivalents - beginning of period	52,979	141,098
Cash and cash equivalents - end of period	$ 62,328	$ 52,979
Supplemental disclosure of cash flow information:		
Interest paid	$ 21,613	$ 12,670
Income taxes paid	15,770	14,934
Supplemental schedule of noncash investing activities		
Real estate acquired in settlement of loans	$ 90	$ 428
Transfer from debt securities available for sale to debt securities held to maturity	$ 303,630	$ -

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Business

Canandaigua National Corporation (the Parent) and subsidiaries (the Company) provides a full range of financial services, including banking, trust, investment, and insurance services to individuals, corporations, and municipalities. The Company is subject to competition from other financial services and commercial companies in various regulated and unregulated industries. The Company and its subsidiaries are subject to the regulations of certain federal and state agencies and undergo regular examinations by those regulatory authorities.

Basis of Presentation

The Consolidated Financial Statements include the accounts of the Parent and its wholly- and majority-owned subsidiaries. Its principal operations comprise the activities of The Canandaigua National Bank and Trust Company (the Bank), CNB Mortgage Company (CNBM), and Canandaigua National Trust Company of Florida (CNTF). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for investments in less-than-majority-owned entities under the equity method. The Consolidated Financial Statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles and conform to predominant practices within the financial services industry.

In preparing the Consolidated Financial Statements, management made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Amounts in prior years' Consolidated Financial Statements are reclassified whenever necessary to conform to the current year's presentation with no changes to net income or equity.

The Company has evaluated subsequent events through February 24, 2023, the date the financial statements were made available to be issued.

Operating Segments

The Company's business is conducted through a single business segment. While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a company-wide basis. Discrete financial information is not available other than on a company-wide basis. Accordingly, all of the final financial service operations are considered by management to be aggregated in one reportable operating segment.

Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash, interest-bearing deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold.

Interest-Bearing Deposits with Other Financial Institutions

Interest-bearing deposits wit other financial institutions mature within one year and are carried at cost.

Securities

The Company classifies its securities as debt securities available for sale, debt securities held to maturity, or equity securities. Debt securities held to maturity are those that the Company has the ability and intent to hold until maturity. Debt securities held to maturity are recorded at amortized cost.

Debt securities available for sale are recorded at fair value. Except for unrealized losses charged to earnings for other-than-temporary-impairment deemed to be credit-related or based on intent to sell, unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are included in accumulated other comprehensive income in stockholders' equity until realized.

Equity securities with readily determinable fair values are measured at fair value with changes in fair value recognized in other non-interest income within the consolidated statements of income.

Management evaluates debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to: (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. A decline in fair value of any debt security below cost that is deemed other than temporary ("OTTI") and related to the credit-worthiness of the issuer is charged to earnings, resulting in the establishment of a new cost basis for the security.

Management generally evaluates the credit-worthiness of the issuer based on their ability to produce sufficient cash flows to service the contractual debt obligation.

Interest income and dividends are recognized when earned. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the interest method. Realized gains and losses are included in earnings and are determined using the specific identification method.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value. Fair value is determined by outstanding commitments from investor and net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Gains and losses on loan sales are based on the difference between the selling price and carrying value of the related loan sold. In instances where servicing rights are retained, the carrying value of loans sold is reduced by the amount allocated to the servicing right.

Loans

Loans, other than loans designated as held for sale, are stated at the principal amount outstanding net of deferred origination fees and costs. Interest and deferred fees and costs on loans are credited to income based on the effective interest method.

The accrual of interest on commercial and real estate loans is generally discontinued, and previously accrued interest is reversed, when the loans become 90 days delinquent or sooner when, in management’s judgment, the collection of principal and interest is uncertain. Loans are returned to accrual status when the doubt no longer exists about the loan's collectability and the borrower has demonstrated a sustained period of timely payment history. Specifically, the borrower will have resumed paying the full amount of scheduled interest and principal payments; all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period (6 months); and there is a sustained period of repayment performance (generally a minimum of six months) by the borrower, in accordance with the contractual terms involving payments of cash or cash equivalents. Interest on consumer loans is accrued until the loan becomes 120 days past due at which time principal and interest are generally charged off.

Management, considering current information and events regarding the borrowers’ ability to repay their obligations, considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, and sufficient information exists to make a reasonable estimate of the inherent loss, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate, or as a practical expedient, at the loan’s observable fair value or the fair value of underlying collateral if the loan is collateral-dependent. In the absence of sufficient, current data to make a detailed assessment of collateral values or cash flows, management measures impairment on a pool basis using historical loss factors equivalent to similarly impaired loans. Impairment reserves are included in the allowance for loan losses through a charge to the provision for loan losses. Cash receipts on impaired loans are generally applied to reduce the principal balance outstanding. In considering loans for evaluation of specific impairment, management generally excludes smaller balance homogeneous loans (loans or relationship size $0.1 million or less) within the small business, residential mortgage, home equity, and all consumer portfolios. These loans are collectively evaluated for risk of loss on a pool basis. This limitation does not preclude the Company from assessing impairment on a loan-by-loan basis if necessary.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security ("CARES“) Act, which provides entities with optional temporary relief from certain accounting and financial reporting requirements under U.S. GAAP.

A key program under the CARES Act was the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (“SBA”) which has provided much needed funding to qualifying businesses and organizations. These loans are forgivable by the SBA and fully guaranteed by the SBA. As such, the Company has not prescribed a reserve against the PPP loan balances. For the Company’s part, SBA will pay a servicing fee to the Company based on the size of the individual loans. The Company had approximately $2.7 million and $89 million of PPP loans as of December 31, 2022 and 2021, respectively.

Allowance for Loan Losses

The allowance for loan losses is a valuation reserve for probable incurred losses in the loan portfolio. Credit losses arise primarily from the loan portfolio, but may also be derived from other credit-related sources, when drawn upon, such as commitments, guarantees, and standby letters of credit. Additions are made to the allowance through periodic provisions, which are charged to expense. All losses of principal are charged to the allowance when incurred or when a determination is made that a loss is expected. Subsequent recoveries, if any, are credited to the allowance.

The Company has established a process to assess the adequacy of the allowance for loan losses and to identify the risks in the loan portfolio. This process consists of the identification of specific reserves for impaired commercial loans and material residential mortgages, and the calculation of general reserves, which is a formula-driven allocation.

The general component of the allowance covers non-impaired loans and is based primarily on the Company's historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experience by the Company on a weighted average basis over the previous two years. This actual loss experience is adjusted by other qualitative factors based on the risks present for each portfolio segment. These qualitative factors include consideration of the following: levels of and trends in delinquencies and impaired loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staffing and experience; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

While management uses available information to recognize losses on loans, future additions to the allowance may be necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Troubled Debt Restructurings

In the process of resolving nonperforming loans, we may choose to restructure the contractual terms of certain loans and attempt to work out alternative payment schedules with the borrower in order to avoid foreclosure of collateral. Any loans that are modified are evaluated to determine if they are "troubled debt restructurings" (TDR) and if so, are evaluated for impairment. A TDR is defined as a loan restructure which, for legal or economic reasons related to a borrower's financial difficulties, the creditor grants one or more concessions to the borrower that it would not otherwise consider. Terms of loan agreements may be modified to fit the ability of the borrower to repay in respect of its current financial status; and restructuring of loans may include the transfer of assets from the borrower to satisfy debt, a modification of loan terms, or a combination of the two. If a satisfactory restructure and payment arrangement cannot be reached, the loan may be referred to legal counsel for foreclosure.

Premises and Equipment

Land is carried at cost. Land improvements, buildings, leasehold improvements and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets, three to twenty-five years. Amortization of leasehold improvements is provided over the lesser of the term of the lease, including renewal options, when applicable, or the estimated useful lives of the assets.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of FHLB system. Members are required to own a certain amount of stock based on the level of borrowings outstanding and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the likelihood of ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank (FRB) Stock

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the likelihood of ultimate recovery of par value. Both cash and stock dividends are reported as income.

Other Real Estate

Other real estate acquired through foreclosure or deed in lieu of foreclosure (other real estate) is included in other assets, upon receipt of title, and is recorded at the lower of the unpaid loan balance on the property at the date of transfer, or fair value, less estimated costs to sell. Adjustments made to the value at transfer are charged to the allowance for loan losses. After transfer, the property is carried at the lower of cost or fair value less estimated costs to sell. Adjustments to the carrying values of such properties that result from subsequent declines in value are charged to operations in the period in which the decline occurs. Operating earnings and costs associated with the properties are charged to other non-interest income and operating expense as incurred. Gains or losses on the sale of other real estate are included in results of operations when the sale occurs.

Loan Servicing Assets

The Company services first-lien, residential loans for the Federal Home Loan Mortgage Company (FHLMC or Freddie Mac) and certain commercial loans as lead participant. The associated servicing rights (assets) entitle the Company to a future stream of cash flows based on the outstanding principal balance of the loans and contractual servicing fees. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees.

The Company services all loans for FHLMC on a non-recourse basis; therefore, its credit risk is limited to temporary advances of funds to FHLMC, while FHLMC retains all credit risk associated with the loans. Commercial loans are serviced on a non-recourse basis, whereby the Company is subject to credit losses only to the extent of the proportionate share of the loan's principal balance owned. The Company's contract to sell loans to FHLMC and to the Federal Housing Administration (FHA) via third-parties contain certain representations and warranties that if not met by the Company would require the repurchase of such loans. The Company has not historically been subject to a material volume of repurchases nor is it as of the current year end.

Loan servicing assets are amortized to loan servicing income in the statement of income. In computing amortization expense, the Company uses historical prepayment rates for similar loan pools and applies this amortization rate to each pool. If prepayments occur at a rate different than the applied rate, the Company adjusts the specific pool's amortization in the period in which the change occurs.

For purposes of evaluating and measuring impairment of loan servicing rights, the Company stratifies these assets based on predominant risk characteristics of the underlying loans that are expected to have the most impact on projected prepayments, cost of servicing, and other factors affecting future cash flows associated with the servicing rights, such as loan type, rate, and term. The amount of impairment recognized is the amount by which the carrying value of the loan servicing rights for a stratum exceeds fair value. Impairment is recognized through the income statement.

Goodwill

Goodwill has an indefinite useful life and is not amortized, but is tested for impairment. Goodwill impairment tests are performed on an annual basis or when events or circumstances dictate. A qualitative assessment of goodwill is first performed factoring company-specific and economic characteristics that might impact its carrying value. If the assessment indicates goodwill might be impaired, a quantitative test is performed in which the fair value of the reporting unit with goodwill is compared to the carrying amount of that reporting unit in order to determine if impairment is indicated. If so, the implied fair value of the reporting unit is compared to its carrying amount and an impairment loss is measured by the excess of the carrying value over fair value. Fair value of the reporting unit is estimated using a weighted average of market-based analysis and discounted cash-flow income analysis.

Stock-Based Compensation

Stock-based compensation expense is recognized in the consolidated statements of income over the awards' vesting period based on the fair value of the award at the grant date.

The Company accounts for the liability associated with its stock appreciation rights plan at fair value which is re-measured quarterly. Fair value is measured using the Black-Scholes-Merton option pricing model. The associated compensation expense or credit reported in the statement of income represents the change in the remeasured liability.

Income Taxes

The Company and its wholly-owned subsidiaries file income tax returns in the U.S. Federal jurisdiction and in the states of New York and Florida. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

Derivative Financial Instruments

Derivatives are recognized as either assets or liabilities in the consolidated balance sheets and are measured at fair value. If certain conditions are met, a derivative may be specifically designated as: (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; (b) a hedge of the exposure to variable cash flows of a forecasted transaction; or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency denominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. At inception of the hedge, management establishes the application of hedge accounting and the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. These are consistent with management's approach to managing risk.

The Company's derivative financial instruments include: (1) commitments to originate fixed-rate residential real estate loans to be held for sale; (2) commitments to sell fixed-rate residential loans; and (3) interest rate swap agreements.

Commitments to originate and commitments to sell fixed-rate residential real estate loans are recorded in the consolidated balance sheet at estimated fair value. Neither of these derivative instruments are considered hedges; therefore, periodic changes in the fair value of these instruments are recognized in mortgage banking income in the period in which the change occurs. However, due to the minimal volume and short-term nature of these instruments, the fair value and the net impact of change in fair value from the instruments' was inconsequential and not recorded at December 31, 2022 and 2021.

The Company utilizes interest rate swap agreements as part of its management of interest rate risk to modify the repricing characteristics of its floating-rate junior subordinated debentures. For swap agreements, amounts receivable or payable are recognized as accrued under the terms of the agreement, and the net differential is recorded as an adjustment to interest expense of the related debentures. Interest rate swap agreements are designated as cash flow hedges. Therefore, the effective portion of the swaps' unrealized gain or loss was initially recorded as a component of other comprehensive income, and subsequent effective portions are recognized in interest expense. The ineffective portion of the unrealized gain or loss, if any, is reported in other operating income.

The Company also utilizes interest rate swap agreements for certain variable rate commercial loans whereby the Company and borrowers enter into interest rate swap agreements that result in borrowers paying a fixed rate to the Company and the Company paying a variable rate to borrowers. The transaction allows the borrower to effectively convert a variable rate loan to a fixed rate. The Company then enters into separate interest rate swap agreements having exact opposite matching terms with another financial institution. The Company does not designate either interest rate swap as hedging instruments. Because the terms of the swaps with the borrower and the other financial institution offset each other, with the only difference being counterparty credit risk, changes in the fair value of the underlying derivative contracts are not materially different and do not significantly impact the Company's results of operation. Notional values associated with the interest rate swaps, under agreements with both borrowers and other financial institutions, amounted to $262.3 million and $263.2 million as of December 31, 2022 and 2021, respectively. The fair value is recorded in other assets and other liabilities on the Consolidated Balance Sheets.

Accumulated Other Comprehensive Loss

The Company's comprehensive income consists of net income, changes in the net unrealized holding gains and losses of securities available for sale, and changes in the net unrealized gain or loss on cash flow hedges. Accumulated other comprehensive loss on the consolidated statements of stockholders' equity is presented net of taxes.

Treasury Stock

Treasury stock is carried on the consolidated balance sheets at cost as a reduction of stockholders' equity. Shares are released from treasury at original cost on a first-in, first-out basis, with any gain on the sale reflected as an adjustment to additional paid-in capital. Losses are reflected as an adjustment to additional paid-in capital to the extent of gains previously recognized, otherwise as an adjustment to retained earnings.

Trust and Investment Services Income

Assets held in fiduciary or agency capacity for clients are not included in the accompanying consolidated balance sheets, since such assets are not assets of the Company. Fees are calculated based generally upon the market value of the underlying assets. Fee income is recognized when earned, and is not subject to return-performance contingencies.

Earnings Per Share

Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share includes the maximum dilutive effect of stock issuable upon exercise of stock options.

(2) Securities

Amortized cost, gross unrealized and unrecognized gains (gross unrealized and unrecognized losses), and fair value of debt securities available-for-sale and debt securities held-to-maturity at December 31, 2022 are summarized as follows:

		2022			
		Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Debt Securities Available for Sale:					
U.S. Treasury	$	7,523	-	(330)	7,193
U.S. government sponsored enterprise obligations		437,584	37	(48,102)	389,519
State and municipal obligations		146,931	-	(5,540)	141,391
Corporate obligations		6,000	-	(540)	5,460
Total Debt Securities Available for Sale	$	598,038	37	(54,512)	543,563
		Amortized Cost	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
Debt Securities Held to Maturity:					
U.S. government sponsored enterprise obligations	$	525,625	-	(72,291)	453,334
State and municipal obligations	$	1,048	-	(21)	1,027
Corporate obligations		157	18	(4)	171
Total Debt Securities Held to Maturity	$	526,830	18	(72,316)	454,532

The amortized cost and fair value of debt securities by years to maturity as of December 31, 2022, is as follows (in thousands). Maturities of amortizing securities are classified in accordance with their contractual repayment schedules. Expected maturities will differ from contractual maturities since issuers may have the right to call or prepay obligations without penalties.

		Available for Sale		Held to Maturity	
		Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Years					
Under 1	$	48,821	48,295	710	705
1 to 5		380,484	349,880	338	322
5 to 10		165,444	142,879	27,219	24,928
10 and over		3,289	2,509	498,563	428,577
Total	$	598,038	543,563	526,830	454,532

Amortized cost, gross unrealized gains and unrecognized gains (gross unrealized losses and unrecognized losses), and fair value of debt securities available-for-sale and debt securities held-to-maturity at December 31, 2021 are summarized as follows:

		2021			
		Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Debt Securities Available for Sale:					
U.S. Treasury	$	509	-	(2)	507
U.S. government sponsored enterprise obligations		634,132	402	(10,718)	623,816
State and municipal obligations		181,082	1,497	(259)	182,320
Corporate obligations		6,000	105	-	6,105
Total Debt Securities Available for Sale	$	821,723	2,004	(10,979)	812,748
		Amortized Cost	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
Debt Securities Held to Maturity:					
State and municipal obligations	$	1,808	2	(1)	1,809
Corporate obligations		218	55	-	273
Total Debt Securities Held to Maturity	$	2,026	57	(1)	2,082

At December 31, 2022, and 2021, securities at amortized cost of $385.2 million and $440.2 million, respectively, were pledged to secure municipal deposits and for other purposes required or permitted by law.

No debt securities available-for-sale or debt securities held-to-maturity were sold in 2022 or 2021.

Interest on securities segregated between taxable interest and tax-exempt interest for the years ended December 31, 2022 and 2021, follows (in thousands):

		2022	2021
Taxable	$	16,347	6,254
Tax-exempt		1,917	2,224
Total	$	18,264	8,478

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2022, aggregated by category and length of time that individual securities have been in a continuous loss position (in thousands).

		Less than 12 months		Over 12 months		Total	
Debt Securities Available for Sale		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	$	7,001	(321)	192	(9)	7,193	(330)
U.S. government sponsored enterprise obligations		92,576	(5,623)	271,404	(42,479)	363,980	(48,102)
State and municipal obligations		88,057	(2,216)	53,334	(3,324)	141,391	(5,540)
Corporate obligations		5,460	(540)	-	-	5,460	(540)
Total temporarily impaired debt securities	$	193,094	(8,700)	324,930	(45,812)	518,024	(54,512)

		Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Debt Securities Held to Maturity							
U.S. government sponsored enterprise obligations	$	245,087	(27,847)	208,247	(44,444)	453,334	(72,291)
State and municipal obligations		438	(1)	589	(20)	1,027	(21)
Corporate and foreign obligations		93	(4)	1	-	94	(4)
Total temporarily impaired debt securities	$	245,618	(27,852)	208,837	(44,464)	454,455	(72,316)

Substantially all of the unrealized losses on the Company's securities were caused by market interest rate changes from those in effect when the specific securities were purchased by the Company. The contractual terms of these securities do not permit the issuer to settle the securities at a price less than par value. All securities rated by an independent rating agency carry an investment grade rating. Because the Company does not intend to sell securities and it believes it is not likely to be required to sell the securities before recovery of their amortized cost basis, which may be, and is likely to be, maturity, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2022.

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2021, aggregated by category and length of time that individual securities have been in a continuous loss position (in thousands).

		Less than 12 months		Over 12 months		Total	
Debt Securities Available for Sale		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	$	402	(2)	105	-	507	(2)
U.S. government sponsored enterprise obligations		503,406	(8,198)	89,425	(2,520)	592,831	(10,718)
State and municipal obligations		62,315	(256)	573	(3)	62,888	(259)
Total temporarily impaired debt securities	$	566,123	(8,456)	90,103	(2,523)	656,226	(10,979)

		Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Debt Securities Held to Maturity							
State and municipal obligations	$	922	(1)	-	-	922	(1)
Corporate obligations		2	-	-	-	2	-
Total temporarily impaired debt securities	$	924	(1)	-	-	924	(1)

The total number of security positions in the investment portfolio in an unrealized loss position at December 31, 2022 was 795 compared to 379 at December 31, 2021. At December 31, 2022, the Company had positions in 356 investment securities with a fair value of $533.8 million and a total unrealized loss of $90.3 million that have been in a continuous unrealized loss position for more than 12 months. At December 31, 2022, there were a total of 439 security positions in the Company's investment portfolio with a fair value $438.7 million and a total unrealized loss of $36.6 million that had been in a continuous unrealized loss position for less than 12 months. At December 31, 2021, the Company had positions in 36 investment securities with a fair value of $90.1 million and a total unrealized loss of $2.5 million that had been in a continuous unrealized loss position for more than 12 months. At December 31, 2021, there were a total of 339 security positions in the Company's investment portfolio with a fair value of $566.1 million and a total unrealized loss of $8.5 million that had been in a continuous unrealized loss position for less than 12 months.

During the year ended December 31, 2022, the Company transferred $303.6 million in fair value of debt securities from available for sale to held to maturity. On the date of transfer these securities had an amortized cost of $306.9 million with a pre-tax net unrealized loss of $3.3 million, which was recorded as a discount subsequent to the transfer and will be amortized as an adjustment of yield. The unrealized holding loss at the date of transfer will continue to be reported, net of taxes, in accumulated other comprehensive loss as a component of stockholders' equity, and will be amortized over the remaining life of the securities as a yield adjustment, offsetting the impact on yield of the corresponding discount amortization.

(3) Loans and Allowance for Loan Losses

Loans

The Company's market area is generally Ontario County and Monroe County of New York State. Substantially all loans are made in this market area. Accordingly, the ultimate collectability of a significant portion of the Company's loan portfolio is susceptible to changes in the economic conditions in this area. The Company's concentrations of credit risk are as disclosed in the following table of loan classifications. The concentrations of credit risk in related loan commitments and letters of credit parallel the loan classifications reflected. Other than general economic risks, management is not aware of any material concentrations of credit risk to any industry or individual borrower.

The major classifications of loans at December 31, 2022 and 2021, are as follows (in thousands), along with a description of their underwriting and risk characteristics:

		2022	2021
Commercial and industrial (1)	$	473,966	483,062
Mortgages:			
Commercial mortgage		975,448	890,030
Residential mortgage - first lien		790,067	640,472
Residential mortgage - junior lien		157,998	140,990
Indirect		982,354	942,475
Consumer - Other		64,110	60,877
Total loans		3,443,943	3,157,906
Plus: Net deferred loan costs		33,568	28,807
Less: Allowance for loan losses		(36,795)	(34,306)
Loans, net	$	3,440,716	3,152,407

(1) Balance includes PPP Loans of $2.7 million in 2022 and $89.0 million in 2021

Commercial and Industrial Loans: These loans generally include term loans and lines of credit. Such loans are made available to businesses for working capital (including inventory and receivables), business expansion (including acquisition of real estate, expansion and improvements) and equipment purchases. As a general practice, a collateral lien is placed on equipment or other assets owned by the borrower. These loans carry a higher risk than commercial real estate loans by the nature of the underlying collateral, which can be business assets such as equipment and accounts receivable. To reduce the risk, management also attempts to secure secondary collateral, such as real estate, and obtain personal guarantees of the borrowers. To further reduce risk and enhance liquidity, these loans generally carry variable rates of interest, repricing in three- to five-year periods, and have a maturity of five years or less. Lines of credit generally have terms of one year or less and carry floating rates of interest (e.g., prime plus a margin).

Commercial Mortgages: Commercial real estate loans are made to finance the purchases of real property which generally consists of real estate with completed structures. These commercial real estate loans are secured by first liens on the real estate, which may include apartments, commercial structures housing businesses, healthcare facilities, and other non-owner occupied facilities. These loans are considered by the Company to be less risky than commercial and industrial loans, since they are secured by real estate and buildings. The loans typically have adjustable interest rates, repricing in three- to five-year periods, and require principal payments over a 10- to 25-year period. Many of these loans include call provisions within 10 to 15 years of their origination. The Company's underwriting analysis includes credit verification, independent appraisals, a review of the borrower's financial condition, and the underlying cash flows. These loans are typically originated in amounts of no more than 80% of the appraised value of the property serving as collateral, however, policy allows for 85% of loan-to-value.

Residential First-Lien Mortgages: The Company originates adjustable-rate and fixed-rate, one-to-four-family residential real estate loans for the construction, purchase or refinancing of a mortgage. These loans are collateralized by owner- and non-owner-occupied properties located in the Company's market area. They are amortized over five to 30 years. Substantially all residential loans secured by first mortgage liens are originated by CNB Mortgage and sold to either the Bank or third-party investors. Generally, fixed-rate mortgage loans with a maturity or call date of ten years or less are retained in the Company's portfolio. For longer term, fixed-rate residential mortgages without escrow, the Company generally retains the servicing, but sells the right to receive principal and interest to Freddie Mac. All loans not retained in the portfolio or sold to Freddie Mac are sold to unrelated third parties with servicing released. This practice allows the Company to manage interest rate risk, liquidity risk, and credit risk. From time to time, the Company may also purchase residential mortgage loans which are originated and serviced by third parties. In an effort to manage risk of loss and strengthen secondary market liquidity opportunities, management typically uses secondary market underwriting, appraisal, and servicing guidelines. Loans on one-to-four-family residential real estate are mostly originated in amounts of no more than 85% of appraised value or have private mortgage insurance. Mortgage title insurance and hazard insurance are normally required. Construction loans have a unique risk, because they are secured by an incomplete dwelling. This risk is reduced through periodic site inspections, including at each loan draw period.

Residential Junior-Lien Mortgages: The Company originates home equity lines of credit and second mortgage loans (loans secured by a second (junior) lien position on one-to-four-family residential real estate). These loans carry a higher risk than first mortgage residential loans as they are in a second position relating to collateral. Risk is reduced through underwriting criteria, which include credit verification, appraisals, a review of the borrower's financial condition, and personal cash flows. A security interest, with title insurance when necessary, is taken in the underlying real estate.

Indirect Lending: The Company funds indirect loans - loans processed by dealers on behalf of the Bank. These loans carry a fixed rate of interest with principal repayment terms typically ranging from one to seven years, based upon the nature of the vehicle, the size of the loan, and the credit score of the borrower. Although secured by a vehicle these loans carry a higher risk of loss than real-estate secured loans, particularly in the early years of the loan, because vehicles are depreciating assets whose value declines over time, and at a more rapid rate than the related loan's principal balance.

Other Consumer Loans: The Company funds a variety of other consumer loans, including automobile loans, recreational vehicle loans, boat loans, aircraft loans, home improvement loans, and personal loans (collateralized and uncollateralized). Most of these loans carry a fixed rate of interest with principal repayment terms typically ranging from one to ten years, based upon the nature of the collateral and the size of the loan. The majority of consumer loans are underwritten on a secured basis using the underlying collateral being financed or a customer's deposit account. A small amount of loans are unsecured, which carry a higher risk of loss.

Commercial loan participations serviced for others amounted to $143.5 million and $105.0 million at December 31, 2022 and 2021, respectively. Residential mortgage loans serviced for Freddie Mac, amounted to $744.5 million and $768.1 million at December 31, 2022 and 2021, respectively. None of these loans are included in the Consolidated Financial Statements or the tables within this Note.

Certain executive officers, directors and their business interests are customers of the Company. Borrowings by these related parties amounted to $6.7 million and $7.4 million at December 31, 2022 and 2021, respectively. During 2022, new borrowings amounted to $0.7 million (including borrowings of executive officers and directors that were outstanding at the time of their election), and repayments and other reductions were $1.4 million.

Allowance for Loan Losses

The following tables present an analysis of the allowance for loan losses by loan type, including a summary of the loan types individually and collectively evaluated for impairment as of December 31, 2022 and 2021, respectively (in thousands). Notwithstanding the estimated allocations set forth in any table, the entirety of the allowance is available to absorb losses in any portfolio. Loan balances exclude $33.6 million and $28.8 million of net deferred loan costs as of December 31, 2022 and December 31, 2021, respectively.

		2022						
		Commercial and industrial (1)	**Commercial mortgage**	**Residential mortgage - first lien**	**Residential mortgage - junior lien**	**Indirect**	**Consumer - other**	**Total**
Beginning Balance	$	4,869	6,368	2,094	276	18,575	2,124	34,306
Charge-offs		(608)	-	-	(13)	(6,896)	(1,389)	(8,906)
Recoveries		1,076	193	3	29	3,779	1,120	6,200
Provision		(407)	(2,650)	812	21	7,025	394	5,195
Ending Balance	$	4,930	3,911	2,909	313	22,483	2,249	36,795
of which:								
Amount of allowance for loans individually evaluated for impairment	$	141	-	-	-	-	-	141
Amount of allowance for loans collectively evaluated for impairment	$	4,789	3,911	2,909	313	22,483	2,249	36,654
Balance of loans individually evaluated for impairment	$	803	8,100	2,315	-	-	-	11,218
Balance of loans collectively evaluated for impairment	$	473,163	967,348	787,752	157,998	982,354	64,110	3,432,725

(1) The balance of loans collectively evaluated for impairment include PPP loans of $2.7 million which have no reserve as these loans are guaranteed by the SBA

		2021						
		Commercial and industrial (1)	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Beginning Balance	$	5,905	5,311	2,484	499	14,442	2,100	30,741
Charge-offs		(697)	(1,295)	-	(68)	(4,081)	(1,082)	(7,223)
Recoveries		214	70	23	28	2,187	850	3,372
Provision		(553)	2,282	(413)	(183)	6,027	256	7,416
Ending Balance	$	4,869	6,368	2,094	276	18,575	2,124	34,306
of which:								
Amount of allowance for loans individually evaluated for impairment	$	648	1,095	-	-	374	-	2,117
Amount of allowance for loans collectively evaluated for impairment	$	4,221	5,273	2,094	276	18,201	2,124	32,189
Balance of loans individually evaluated for impairment	$	2,793	16,861	1,674	486	374	-	22,188
Balance of loans collectively evaluated for impairment	$	480,269	873,169	638,798	140,504	942,101	60,877	3,135,718

(1) The balance of loans collectively evaluated for impairment include PPP loans of $89.0 million which have no reserve as these loans are guaranteed by the SBA.

In monitoring the credit quality of the portfolio, management applies a credit quality indicator to substantially all commercial loan relationships over $0.75 million. These quality indicators range from one through eight in increasing risk of loss. These ratings are used as inputs to the calculation of the allowance for loan losses. Loans rated 1 through 4 are generally allocated a lesser percentage allocation in the allowance for loan losses than loans rated from 5 through 8. Residential Mortgage Loans are generally rated 9 and Consumer Loans are generally not rated, unless they are used to partially collateralize commercial loans, in which case they carry the rating of the respective commercial loan relationship, or if management wishes to recognize a well-defined weakness or loss potential to more accurately reflect credit risk. Unrated loans, including performing commercial loan relationships less than $0.75 million, are allocated a percentage of the allowance for loan losses on a pooled basis.

Loans risk rated 5 are currently protected but are potentially weak. These loans, in management's judgment, constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific asset. Loans in this category have potential weaknesses which may, if not checked or corrected, weaken the loan or inadequately protect the Bank's credit position at some future date. This might include loans which the lending officer may be unable to supervise properly because of: lack of expertise, inadequate loan agreement, the poor condition of or lack of control over collateral, failure to obtain proper documentation or any other deviations from prudent lending practices. Economic or market conditions which may, in the future, affect the obligor may warrant special mention of the asset. Loans for which an adverse trend in the borrower's operations or an imbalanced position in the balance sheet which has not reached a point where the liquidation is jeopardized may be included in this classification.

Loans risk rated 6 are considered substandard. A substandard loan is inadequately protected by the sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual loans classified substandard. Residential mortgages are not subject to substandard classification unless the following well defined weaknesses have occurred: the ability of the borrower to repay the debt is questionable as evidenced by delinquency of 90 days, and repayment of the debt is dependent on the sale of the underlying real estate.

Loans risk rated 7 are categorized as doubtful. These loans have all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans. The entire amount of the loan might not be classified as doubtful when collection of a specific portion appears highly probable. Loans are generally not classified doubtful for an extended period of time (i.e., over a year).

Loans classified 8, or loss, are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Losses are taken in the period in which they surface as uncollectible.

Loans in category 9 and unrated are evaluated for credit quality after origination principally based upon delinquency status, but may also include credit scores and collateral valuations.

The following tables present the loan portfolio as of December 31, 2022 and 2021 by credit quality indicator (in thousands). Except for loans in the 9 and unrated categories, credit quality indicators are reassessed for each applicable loan at least annually, generally upon the anniversary of the loan's origination or receipt and analysis of the borrower's financial statements, when applicable, or in the event that information becomes available that would cause us to re-evaluate.

Credit Quality Indicator Analysis as of December 31, 2022

		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Pass-Rated		328,915	864,039	45,176	2,826	-	13,445	1,254,401
5-Special Mention		109	18,800	-	-	-	-	18,909
6-Substandard		2,859	10,021	3,986	697	-	-	17,563
7-Doubtful		1	-	-	-	-	-	1
Subtotal	$	331,884	892,860	49,162	3,523	-	13,445	1,290,874
9 and not rated		142,082	82,588	740,905	154,475	982,354	50,665	2,153,069
Total	$	473,966	975,448	790,067	157,998	982,354	64,110	3,443,943

Credit Quality Indicator Analysis as of December 31, 2021

		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Pass-Rated	$	310,538	751,282	43,211	2,388	-	13,799	1,121,218
5-Special Mention		221	41,110	-	-	-	-	41,331
6-Substandard		4,287	21,161	2,324	822	-	-	28,594
7-Doubtful		121	-	-	-	374	-	495
Subtotal	$	315,167	813,553	45,535	3,210	374	13,799	1,191,638
9 and not rated		167,895	76,477	594,937	137,780	942,101	47,078	1,966,268
Total	$	483,062	890,030	640,472	140,990	942,475	60,877	3,157,906

The following tables present, as of December 31, 2022 and December 31, 2021, additional details about the loan portfolio in the form of an aging analysis. Amounts exclude deferred fees and costs (in thousands).

		2022							
		30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater (1)	Total Past Due	Current	Total Loans	> 90 Days and Accruing	Non-Accrual Loans
Commercial and industrial	$	647	149	1,255	2,051	471,915	473,966	-	1,255
Commercial mortgages		133	-	5,132	5,265	970,183	975,448	-	5,132
Residential - first lien		1,938	-	3,738	5,676	784,391	790,067	346	3,392
Residential - junior lien		577	57	712	1,346	156,652	157,998	15	697
Consumer:									
Indirect		13,162	3,335	1,604	18,101	964,253	982,354	1,604	-
Other		440	163	88	691	63,419	64,110	88	-
Total	$	16,897	3,704	12,529	33,130	3,410,813	3,443,943	2,053	10,476

(1) Amounts include Non-Accrual loans

		2021							
		30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater (1)	Total Past Due	Current	Total Loans	> 90 Days and Accruing	Non-Accrual Loans
Commercial and industrial	$	453	762	2,833	4,048	479,014	483,062	-	2,833
Commercial mortgages		240	994	16,915	18,149	871,881	890,030	-	16,915
Residential - first lien		5,154	643	2,075	7,872	632,600	640,472	-	2,075
Residential - junior lien		222	139	822	1,183	139,807	140,990	-	822
Consumer:									
Indirect		11,051	3,037	1,386	15,474	927,001	942,475	1,012	374
Other		354	40	21	415	60,462	60,877	21	-
Total	$	17,474	5,615	24,052	47,141	3,110,765	3,157,906	1,033	23,019

(1) Amounts include Non-Accrual loans

The details of impaired loans follow (in thousands). "Recorded investment", "Unpaid Principal Balance", and "Specific Related Allowance" are as of the years ended December 31, 2022 and 2021 , respectively. "Average Recorded Investment" is a four-quarter rolling average for the respective periods. "Recorded investment" includes smaller balance homogeneous loans (loans or relationship size $0.4 million or less) within the commercial, residential mortgage, home equity, and all consumer portfolio of $4.4 million and $0.8 million at December 31, 2022 and December 31, 2021, respectively. Interest income recognized of individually evaluated loans is inconsequential at December 31, 2022 and December 31, 2021, respectively.

	2022			
With no specific allowance	**Recorded Investment**	**Unpaid Principal Balance**	**Specific Related Allowance**	**Average Recorded Investment**
Commercial and industrial	$ 846	1,100	-	820
Commercial mortgage	8,440	8,973	-	7,004
Residential mortgage - first lien	5,264	5,486	-	2,602
Residential mortgage - junior lien	697	729	-	730
Subtotal	15,247	16,288	-	11,156
With specific allowance				
Commercial and industrial	409	409	141	827
Subtotal	409	409	141	827
Total	$ 15,656	16,697	141	11,983
Summary by portfolio:				
Commercial	$ 9,695	10,482	141	8,651
Residential	5,961	6,215	-	3,332
Total	$ 15,656	16,697	141	11,983

	2021			
With no specific allowance	**Recorded Investment**	**Unpaid Principal Balance**	**Specific Related Allowance**	**Average Recorded Investment**
Commercial and industrial	$ 1,639	1,909	-	1,788
Commercial mortgage	14,980	16,170	-	16,850
Residential mortgage - first lien	2,075	2,245	-	2,686
Residential mortgage - junior lien	822	853	-	1,023
Subtotal	19,516	21,177	-	22,347
With specific allowance				
Commercial and industrial	1,194	1,244	648	1,531
Commercial mortgage	1,935	1,935	1,095	736
Residential mortgage - junior lien	-	-	-	91
Consumer - indirect	374	374	374	520
Subtotal	3,503	3,553	2,117	2,878
Total	$ 23,019	24,730	2,117	25,225
Summary by portfolio:				
Commercial	$ 19,748	21,258	1,743	20,905
Residential	2,897	3,098	-	3,800
Consumer and other	374	374	374	520
Total	$ 23,019	24,730	2,117	25,225

Troubled Debt Restructurings (TDR)

The Company has allocated $0.1 million of specific reserves on TDRs to customers whose loan terms have been modified as of December 31, 2022. The Company did not allocate any specific reserves on TDRs as of December 31, 2021.

There were no unfunded commitments to lend additional amounts to customers with outstanding loans that are classified as TDRs.

The terms of certain loans were modified as TDRs when one or a combination of the following occurred: A reduction of the stated interest rate of the loan; the maturity date was extended; or some other modification or extension occurred which would not be readily available in the market.

There were no loans that were modified as TDRs for which there was a payment default within twelve months of modification, during the twelve months ended December 31, 2022 and December 31, 2021.

The following table presents loans by class modified as TDRs during the twelve-month period ended December 31, 2022, (in thousands):

	Number of Contracts	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
Residential mortgage	1	$ 231	$ 231
Commercial mortgage	-	-	-
Total	1	$ 231	$ 231

The follow table presents loans by class modified as TDRs during the twelve-month period ended December 31, 2021 (in thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential mortgage	4	$ 474	$ 474
Commercial mortgage	4	6,029	6,029
Total	8	$ 6,503	$ 6,503

In March 2020, various regulatory agencies, including the Board of Governors of the Federal Reserve System (the “FRB”) and the Federal Deposit Insurance Corporation (the “FDIC”), issued an interagency statement on loan modifications and reporting for financial institutions working with customers affected by COVID-19. The interagency statement was effective immediately and impacted accounting for loan modifications. The agencies confirmed with the staff of the FASB that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs. This includes short-term modifications such as payment deferrals, fee waivers, extension of repayment terms, or other delays in payment that are insignificant. Provisions of the CARES Act largely mirrored the provisions of the interagency statement, providing that modified loans were not to be considered TDRs if they were performing at December 31, 2019 and other considerations set forth in the interagency statements were met. Borrowers considered current are those that are less than 30 days past due at the time a modification program is implemented or at December 31, 2019.

On December 27, 2020, the 2021 Consolidated Appropriations Act was signed into law. The $900 billion relief package included legislation that extended certain relief provisions of the CARES Act that were set to expire on December 31, 2020. Legislation extended this relief which subsequently terminated on January 1, 2022. As of December 31, 2022, the Company had no non-TDR loan modifications granted under the CARES Act.

(4) Premises and Equipment

A summary of premises and equipment at December 31, 2022 and 2021, follows (in thousands):

	2022	2021
Land and land improvements	$ 2,218	2,218
Buildings and leasehold improvements	35,675	34,223
Furniture, fixtures and equipment	26,778	26,033
Projects in process	7,467	3,182
	72,137	65,656
Less accumulated depreciation	49,691	46,954
Premises and equipment - net	$ 22,446	18,702

Depreciation expense amounted to $2.7 million and $2.6 million for of the years ended December 31, 2022 and 2021, respectively.

(5) Goodwill and Intangibles Assets

At December 31, 2022, the Company’s reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting units exceeds its carrying value, including goodwill. As a result of the qualitative assessment it was more likely than not that fair value of the reporting unit exceeded the carrying value, resulting in no impairment.

The Company had no intangible assets for the year ended December 31, 2022 and December 31, 2021.

(6) Time Deposits

At December 31, 2022 the scheduled maturity of time deposits was as follows (in thousands):

2023	$ 628,347
2024	109,874
2025	20,849
	$ 759,070

Time deposits of $250,000 or more amounted to $359.2 million at December 31, 2022, and $325.3 million at December 31, 2021.

(7) Borrowings

Overnight borrowings from the Federal Reserve Bank of New York discount window amounted to $128.2 million, carrying an interest rate of 4.5%, for the year ended December 31, 2022. There were no borrowings from the discount window at December 31, 2021.

Borrowings from the Federal Home Loan Bank of New York amounted to $400.0 million and $200.0 million for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, there were no overnight borrowings from the Federal Home Loan Bank.

The following tables summarize the Federal Home Loan Bank of New York term borrowings as of December 31, 2022 and 2021:

December 31, 2022
(in thousands)

Type	Maturity Date	Interest Rate		Amount
Term	February 7, 2023	1.27%	$	50,000
Term	February 10, 2023	3.20%		50,000
Term	February 6, 2024	2.67%		50,000
Term	February 6, 2025	1.82%		50,000
Term	August 10, 2026	3.39%		50,000
Term	August 10, 2027	3.27%		100,000
Term	December 20, 2027	4.14%		50,000
			$	400,000

December 31, 2021
(in thousands)

Type	Maturity Date	Interest Rate		Amount
Term	February 7, 2022	2.28%		50,000
Term	February 10, 2023	3.20%		50,000
Term	February 6, 2024	2.67%		50,000
Term	February 6, 2025	1.82%		50,000
			$	200,000

Advances under the overnight line of credit with the FHLB of New York are payable on demand and generally bear interest at the federal funds rate plus 0.10% - 0.20%. The Company also has access to the FHLB's Term Advance Program, which allows the Bank to borrow at various terms and rates, subject to the Bank's pledging of eligible collateral. Advances under the Federal Reserve Bank of New York are payable the following business day and bear interest at the Federal Reserve Bank of New York's discount rate for primary credit, which is generally 0.00% to 1.00% above the target federal funds rate.

The following table presents information about the Company's available lines of credit and related loan collateral at December 31, 2022 (in thousands). Amounts utilized include borrowings and undrawn letters of credit.

		Amount Utilized		Unused	Collateralized by		Carrying Value of Collateral
Federal Home Loan Bank of New York	$	400,000	$	196,790	Residential mortgages	$	484,382
					Commercial mortgages	$	360,916
Federal Reserve Bank of New York	$	128,200	$	1,213,580	Indirect automobile loans	$	610,891
					Commercial loans	$	602,689

(8) Junior Subordinated Debentures and Interest Rate Swap Agreements

In September 2007, the Company issued $20.6 million of unsecured, 30-year junior subordinated deferrable interest debentures (T3) through a wholly-owned business trust. The debentures carried a fixed interest rate of 6.32% per annum for the initial five years, then converted to an adjustable rate for the remaining twenty-five years at LIBOR plus 1.44%, adjustable quarterly (6.21% at December 31, 2022). The debentures' final maturity is December 2037, and became callable, in whole or in part, at par beginning December 2012 at the Company's option, and subject to Federal Reserve Bank of New York approval. Interest is payable quarterly. Interest payments can be deferred for up to five years, but would restrict the Company's ability to pay dividends. At December 31, 2022, these debentures were considered Tier I Capital for regulatory purposes.

In December 2012, the Company became exposed to interest rate risk as a result of the timing of changes in interest rates associated with T3. In consideration of the end of the fixed-rate period, the Company entered into a forward interest rate swap agreement, which became effective on December 15, 2012 and expired on December 15, 2022 and was not renewed.

In June 2006, the Company issued $30.9 million of unsecured, 30-year floating rate junior subordinated deferrable interest debentures (T2) through a wholly-owned business trust. The debentures carry an interest rate of 3-month LIBOR plus 1.40% (6.17% at December 31, 2022). Other significant terms of the debenture are similar to T3, except the debentures' final maturity is June 2036, and became callable, in whole or in part, at par after June 2012.

As with T3, the Company was exposed to interest rate risk for T2. In order to reduce this risk, the Company had entered into a series of interest rate swap agreements since 2007, the most recent agreement expired on June 15, 2021 and was not renewed.

With both swap agreements the Company designated them as a cash flow hedges, and they are intended to protect against the variability of cash flows associated with the debentures. Therefore, the effective portion of the swap's unrealized gain or loss was recorded as a component of other comprehensive income. The ineffective portion of the unrealized gain or loss, if any, was reported in other operating income. The swap agreements were carried at fair value in other liabilities on the Consolidated Balance Sheets. Amounts receivable or payable were recognized as accrued under the terms of the agreements, and the net differential was recorded as an adjustment to interest expense.

(9) Income Taxes

The components of income tax expense relating to income from operations for each of the years ended December 31, follows (in thousands):

	2022	2021
Current:		
Federal	$ 13,701	12,862
State	3,638	3,637
	17,339	16,499
Deferred:		
Federal	(1,050)	(1,807)
State	(502)	(692)
	(1,552)	(2,499)
	$ 15,787	14,000

Income tax expense differed from the amounts computed by applying the applicable U.S. Federal corporate tax rates to pretax income from operations for each of the years ended December 31, follows (dollars in thousands):

	2022	2021
Tax expense at statutory rate of 21%	$ 13,367	12,336
Tax-exempt interest	(403)	(467)
Interest expense disallowance	20	9
State taxes, net of Federal benefit	2,478	2,326
Stock options	(79)	(74)
Nondeductible operating expenses	33	-
Change in valuation allowance for deferred tax assets	(2)	(2)
Other	373	(128)
Total	$ 15,787	14,000
Effective tax rate	24.8%	23.8%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, follows (dollars in thousands):

	2022	2021
Deferred tax assets:		
Allowance for loan losses	$ 9,524	8,880
Incentive stock and retirement plans	5,363	3,866
Depreciation	363	192
Non-controlling interest	-	52
Interest rate swap agreements, net	-	105
Unrealized loss on available-for-sale securities	14,793	2,216
Net operating loss carryforwards	474	669
Right of use liability	6,505	7,246
Other	757	1,647
Deferred tax assets before allowance	37,779	24,873
Valuation allowance	(44)	(45)
Deferred tax assets	37,735	24,828
Deferred tax liabilities:		
Deferred tax assets		
Loan servicing rights	755	840
Intangible assets, net	2,269	1,962
Prepaid expenses	1,457	1,392
Deferred gain on sale of investments	2,847	2,847
Right of use asset	6,301	7,128
Non-controlling interest	14	-
Other	-	667
Deferred tax liabilities	13,643	14,836
Net deferred tax asset	$ 24,092	9,992

Net deferred tax assets are included in other assets. Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of deferred tax liabilities, the level of historical taxable income, and projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets are deductible. Based on its assessment, management determined that a valuation allowance was needed for the federal net operating loss and mortgage recording tax credit carryforwards. The federal net operating loss (NOL) carryforwards of approximately $2.3 million, which begin to expire in 2028, were generated by a nonbank subsidiary before the subsidiary was included in the Company's consolidated federal tax return. Therefore, their utilization is limited under the Internal Revenue Code and related Treasury Regulations.

The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. No material amount of interest expense was recognized during 2022 and 2021, for any unrecognized tax benefits. The Company is not subject to U.S. Federal tax examinations or state tax examinations for years before 2016.

(10) Stockholder's Equity

Payment of dividends by the Bank to the Company is limited or restricted in certain circumstances. According to federal banking law, the approval of the Office of the Comptroller of the Currency (OCC) is required for the declaration of dividends in any year in which dividends exceed the total of net income for that year plus retained income for the preceding two years. At December 31, 2022, approximately $88.8 million was available for dividends to the Company without the approval of the OCC. Payment of dividends by the Company's non-bank trust subsidiary is also restricted by the OCC, its regulator. No dividends are available for payment by these companies without regulatory approval.

In 2022, the Company paid a $4.20 per share dividend on common stock to shareholders on February 4, 2022 and a $4.50 per share dividend on common stock to shareholders on August 5, 2022. In 2021, the Company paid a $3.60 per share dividend on common stock to shareholders on February 5, 2021 and a $4.00 per share dividend on common stock to shareholders on August 6, 2021

(11) Earnings Per Share

Basic and diluted earnings per share for the years ended December 31, 2022 and 2021, were computed as follows (in thousands, except share and per-share data):

		2022	2021
Basic Earnings Per Share:			
Net income applicable to Canandaigua National Corporation	$	47,854	44,744
Weighted average common shares outstanding		1,875,529	1,872,092
Basic earnings per share	$	25.51	23.90
Diluted Earnings Per Share:			
Net income applicable to Canandaigua National Corporation	$	47,854	44,744
Weighted average common shares outstanding		1,875,529	1,872,092
Effect of assumed exercise of stock options		9,862	10,357
Total		1,885,391	1,882,449
Diluted earnings per share	$	25.38	23.77

(12) Retirement Plans

Defined Benefit Plan

The Company has a combined profit sharing and 401(k) Plan covering substantially all employees upon completion of 1,000 hours of service. Contributions to the Plan are determined annually by the Company's Board of Directors. The Plan is subject to a minimum contribution of 3% of eligible compensation. It is the Company's policy to annually fund current costs as they accrue. Expenses of the Plan amounted to $4.3 million, and $4.7 million, for the years ended December 31, 2022 and 2021, respectively.

Employee Stock Ownership Plan

The Company has an employee stock ownership plan (ESOP) for employees of the Company. Annual contributions are made at the discretion of the Board of Directors. ESOP expense amounted to $0.5 million, for both years ended December 31, 2022 and 2021, respectively. Shares distributed to a participant upon termination of service are subject to a put option whereby the participant may cause the ESOP's Trust to purchase the shares at fair value. At both December 31, 2022 and 2021, the ESOP held 29,568 shares of which all are allocated to participants, with an estimated fair value, at the respective dates, of $10.4 million and $8.9 million.

Supplemental Executive Retirement Plans

The Company has two unfunded, non-qualified, supplemental executive retirement plans (SERP) covering certain executives designed to compensate for the portion of cash compensation unable to be included in the profit sharing and 401(k) plan, because of limitations of the plan's design and of the Internal Revenue Code. The Company had accrued a liability of $2.0 million and $1.9 million at December 31, 2022 and 2021, respectively, for these SERPs. Expenses of these SERP's amounted to $0.1 million for both years ended 2022 and 2021.

(13) Stock-Based Compensation Plans

The Company has two stock-based compensation plans (Stock Option Plan and Stock Appreciation Rights Plan) for executives, which are described below. Amounts recognized in the Consolidated Financial Statements with respect to these plans are as follows (in thousands):

		2022	2021
Stock option plan	$	-	-
Stock appreciation rights plan		7,805	8,875
Pre-tax cost of plans included in salaries and employee benefits expenses	$	7,805	8,875
Amount of related income tax benefit recognized in net income	$	(2,029)	(2,308)

Stock Option Plan

The Company's stock option plan authorized grants of options to purchase up to 192,000 shares of common stock. All 192,000 options available were granted by year-end 2004. There are no future expenses associated with the unvested options. The options were granted with an exercise price equal to the fair value of the common stock on the grant date based on the most recent public stock sale known to the Company immediately preceding the grant. The options are exercisable either five years from the date of grant, or at the later of age 55 or 15 years of continuous employment with the Company, or at normal retirement age (65).

The following summarizes outstanding and exercisable options at December 31, 2022:

	# Shares Subject to Options		Weighted Average Exercise Price
Options outstanding at beginning of the year	13,318	$	54.20
Granted	-	$	-
Exercised	1,434	$	40.01
Expired	-	$	-
Forfeited	-	$	-
Options outstanding at year end	11,884	$	55.91
Options exercisable at year end	11,884	$	55.91
Options available for future grants	none		

At December 31, 2022, the intrinsic value of outstanding options, all of which were vested, was approximately $3.5 million. The intrinsic value of options exercised during the years ended December 31, 2022 and 2021, were $0.4 million and $0.4 million, respectively. No options were forfeited in 2022 or 2021.

Options outstanding at December 31, 2022, had exercise prices ranging from $42.97 to $73.46. The weighted average expected life of the options is one year. Since the options have no stated expiration date, the expected life is calculated as the number of years from grant date to the grantee's 65th birthday.

The source of shares issued upon exercise has historically been, and is expected to be, treasury shares. From time to time, the Company expects to purchase shares for treasury to be used for these exercises. The amount of shares, timing and cost of these purchases cannot be determined, as the Company does not know when and in what quantity participants will exercise their options.

Stock Appreciation Rights Plan

The Company has an incentive stock plan for executives which allows for the award of Stock Appreciation Rights (SARs). The number of rights issued is based upon a formula utilizing the compensation of the grantees and actual return on beginning equity relative to the budgeted return for each year. SARs represent the right to receive payment in cash or stock, at the Compensation Committee of the Board of Director's option, equal to the amount, if any, by which the market value per share of common stock on the date of exercise exceeds the SARs grant price. Long-term SARs are exercisable at the later of age 55 or 15 years of continuous employment with the Company or at normal retirement age (65). Medium-term SARs are exercisable five years from the date of grant or upon retirement. The vesting schedule is consistent with the time periods in which the SARs become exercisable. The following summarizes the activity of these rights as of and for the year ended December 31, 2022.

	Long-term SARs			Medium-term SARs		
	# Rights		Weighted Average Grant Price	# Rights		Weighted Average Grant Price
Rights outstanding at January 1, 2022	76,044	$	174.97	66,919	$	167.30
Granted	9,684	$	301.54	6,449	$	301.54
Exercised	8,768	$	180.10	6,163	$	164.58
Forfeited	-	$	-	-	$	-
Expired	-	$	-	-	$	-
Rights outstanding at December 31, 2022	76,960	$	190.31	67,205	$	180.43
Rights exercisable at December 31, 2022	34,177	$	168.23	23,199	$	132.47

In February 2022, certain executives were awarded a total of 9,684 long-term SARs and 6,449 medium-term SARs, all at a grant price of $301.54 per share, the then-current market value (based on the most recent public stock sale administered by the Trust Department known to the Company immediately preceding the effective grant date) of the Company's common stock.

During 2022, 8,768 long-term SARs were exercised with a fair value of $1,259,000, and 6,163 medium-term SARs were exercised with a fair value of $897,000. The Company settled 4,789 long-term SARs and 4,900 medium-term SARs in Company's stock. This resulted in issuance of 2,398 of Company's stock during the year ended December 31, 2022. During 2021, 9,514 long-term SARs were exercised with a fair value of $1,384,000, and 2,010 medium-term SARs were exercised with a fair value of $252,000. The Company settled 5,852 long-term SARs and 2,010 medium-term SARs in Company's stock. This resulted in issuance of 2,555 of Company's stock during the year ended December 31, 2021. The fair value of awards vested during years ended December 31, 2022 and 2021, amounted to $1,843,000 and $814,000, respectively. No SARs were forfeited in 2022 or 2021. At December 31, 2022 the intrinsic value of exercisable long term SARs and medium term SARs were $6,255,000 and $5,075,000 respectively.

The weighted average estimated per-right fair values, as of December 31, 2022 and 2021, are presented below. Fair value was estimated using the Black-Scholes-Merton option-pricing model with the following assumptions. No forfeitures are assumed, as generally none are anticipated for the current outstanding awards.

	2022		2021	
Right Type	**LTS**	**MTS**	**LTS**	**MTS**
Per-right fair value	$153.67	$161.85	$97.16	$104.42
Expected dividend yield	2.58%	2.58%	2.98%	2.98%
Risk-free interest rate	4.05%	4.05%	1.20%	1.20%
Expected Life	4.7 years	4.7 years	4.7 years	4.7 years
Volatility	14.05%	14.05%	6.36%	6.36%

Long-term SAR's outstanding and medium-term SARs outstanding (both exercisable and unexercisable) at December 31, 2022, had exercise prices ranging from $78.98 to $301.54. The weighted average expected life of these rights is five years. Since these rights have no stated expiration date, the expected life is calculated as the number of years from grant date to the grantee's 60th birthday, which is the historical life for similar past rights. Based upon current assumptions, the estimated compensation cost related to non-vested rights not yet recognized is $6.5 million, which is expected to be recognized over a weighted average period of five years. The Company had accrued a liability of $18.7 million and $13.1 million at December 31, 2022 and 2021, respectively, representing the accumulated fair-value vested obligation of these rights under the plan.

(14) Leases

The Company's lease portfolio consists primarily of operating leases for real estate property for branches, ATM locations, and office space, with contractual terms expiring from 2023 to 2037. Lease contracts may include one or more renewal options that allow the Company to extend the lease term, typically from one year to five years per each renewal option. The exercise of lease options are generally at the discretion of the Company. None of the Company's leases contain residual value guarantees, substantial restrictions, or covenants.

Supplemental balance sheet information related to the Company's leases as of December 31, 2022 and 2021 are as follows (in thousands):

		2022	2021
Operating lease ROU assets, net of accumulated amortization	$	26,244	27,541
Operating lease liabilities		27,034	27,994
Weighted average remaining lease term (in years)		10	11
Weighted average discount rate		2.38%	2.36%

The components of lease expense are as follows (in thousands):

December 31,		**2022**	**2021**
Fixed payment operating lease expense	$	3,836	3,594
Variable payment operating lease expense		1	30
Short-term lease expense		7	7

Supplemental cash flow information related to the Company's leases as of December 31, 2022 and 2021 are as follows (in thousands):

		2022	2021
Cash paid for amounts included in the measurement of lease liabilities	$	3,499	3,351
Amortization of ROU assets		3,198	3,025
ROU assets obtained in exchange for new operating lease liabilities		1,901	9,878

The following table presents a maturity analysis of the Company's operating lease liability (in thousands):

Years ending December 31,	**Amount**
2023	$ 3,347
2024	3,244
2025	3,012
2026	2,926
2027	2,824
2028 and after	15,193
Total future lease payments	30,546
Less: imputed interest	3,512
Total operating lease liabilities	$ 27,034

(15) Commitments and Contingencies

In the normal course of business, various commitments and contingent liabilities are outstanding. The following table presents the notional amount of the Company's significant commitments and their respective carrying amount, where applicable, for the years ended December 31, 2022 and December 31, 2021. Most of these commitments are not included in the Company's Consolidated Balance Sheets (in thousands).

	2022		**2021**	
	Notional Amount	**Carrying Amount**	**Notional Amount**	**Carrying Amount**
Commitments to extend credit:				
Commercial lines of credit	$ 325,595	-	304,226	-
Commercial real estate and construction	95,941	-	112,137	-
Residential real estate at fixed rates	7,560	-	9,883	-
Home equity lines of credit	456,613	-	406,410	-
Unsecured personal lines of credit	26,290	-	26,947	-
Standby and commercial letters of credit	6,276	(94)	8,640	(130)
Commitments to sell real estate loans	1,640	-	10,719	-

Commitments to extend credit are agreements to lend to customers and generally have fixed expiration dates or other termination clauses that may require payment of a fee, the amount of which is immaterial. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party and also require payment of a fee. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of an underlying contract with a third party, whereas commercial letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. Because many commitments and almost all letters of credit expire without being funded in whole or in part, the notional amounts are not estimates of future cash flows. The credit risk associated with commitments to extend credit and standby and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. The Company's credit policy generally requires customers to provide collateral, usually in the form of customers' operating assets or property, prior to disbursement of approved loans.

Commitments to originate fixed-rate loans are made when a borrower executes a rate-lock agreement. At the time of execution, the Company generally charges a rate-lock fee, which approximates the fair value of the Company's commitment. These commitments usually have terms ranging from 45 to 90 days. Concurrently, the Company enters into commitments to sell certain fixed-rate residential real estate loans (usually those subject to the foregoing rate-locks). The fair value of these commitments are inconsequential as of December 31, 2022 and December 31, 2021.

The Company has committed $3.0 million as a limited partnership investment to Cephas Capital Partners, II and $3.0 million to Cephas Capital Partners, III. This Small Business Investment Company (SBIC) is a community-bank backed mezzanine finance company. At December 31, 2022, the Company has remaining unfunded commitments of $1.5 million with Cephas Capital Partners, II and $1.8 million with Cephas Partners III. These investments are carried in Other Assets on the Consolidated Balance Sheets.

The Company has committed $0.5 million for an investment in Trillium Lakefront Partners, LLC. This venture capital fund is a community-backed initiative in support of new business and job growth in the Company's market area. At December 31, 2022, the Company had a remaining unfunded commitment of less than $0.1 million. This investment is carried in Other Assets on the Consolidated Balance Sheets.

In the normal course of business, the Company has various contingent liabilities outstanding that are not included in the

Consolidated Financial Statements. Management does not anticipate any material losses as a result of these contingent liabilities.

(16) Regulatory Matters

The Company and its subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its subsidiaries must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors. Management believes, as of December 31, 2022, that the Company and Bank met all capital adequacy requirements to which they are subject. The Company's trust subsidiary, Canandaigua National Trust Company of Florida, must also meet minimum capital requirements as set forth by their regulators. As of December 31, 2022, it complied with its minimum capital requirements.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2022 and 2021, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Regulatory Capital as of December 31, 2022

	Actual		Required for Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage capital (Tier 1) as percent of three-month average assets:						
Company	$ 397,546	8.48%	$ 187,421	4.00%	N/A	N/A
Bank	$ 377,493	8.08%	$ 186,764	4.00%	$ 233,455	5.00%
As percent of risk-weighted, period-end assets						
Core capital (Common Equity Tier 1)						
Company	$ 345,999	10.08%	$ 240,285	7.00%	N/A	N/A
Bank	$ 377,493	11.00%	$ 240,142	7.00%	$ 222,989	6.50%
Core capital (Tier 1)						
Company	$ 397,546	11.58%	$ 291,774	8.50%	N/A	N/A
Bank	$ 377,493	11.00%	$ 291,601	8.50%	$ 274,448	8.00%
Total capital (Tiers 1 and 2)						
Company	$ 434,341	12.65%	$ 360,427	10.50%	N/A	N/A
Bank	$ 414,288	12.08%	$ 360,213	10.50%	$ 343,060	10.00%

Regulatory Capital as of December 31, 2021

	Actual		Required for Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage capital (Tier 1) as percent of three-month average assets:						
Company	$ 367,084	8.93%	$ 164,408	4.00%	N/A	N/A
Bank	$ 340,623	8.32%	$ 163,824	4.00%	$ 204,780	5.00%
As percent of risk-weighted, period-end assets						
Core capital (Common Equity Tier 1)						
Company	$ 315,537	10.20%	$ 216,450	7.00%	N/A	N/A
Bank	$ 340,623	11.04%	$ 215,963	7.00%	$ 200,537	6.50%
Core capital (Tier 1)						
Company	$ 367,084	11.87%	$ 262,832	8.50%	N/A	N/A
Bank	$ 340,623	11.04%	$ 262,241	8.50%	$ 246,815	8.00%
Total capital (Tiers 1 and 2)						
Company	$ 401,390	12.98%	$ 324,674	10.50%	N/A	N/A
Bank	$ 374,929	12.15%	$ 323,945	10.50%	$ 308,519	10.00%

(17) Fair Values of Financial Instruments

Current accounting pronouncements require disclosure of the estimated fair value of financial instruments. Fair value is generally defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly, non-distressed sale between market participants at the measurement date. With the exception of certain marketable securities and one-to-four-family residential mortgage loans originated for sale, the Company's financial instruments are not readily marketable and market prices do not exist. The Company, in attempting to comply with accounting disclosure pronouncements, has not attempted to market its financial instruments to potential buyers, if any exist. Since negotiated prices in illiquid markets depend upon the then present motivations of the buyer and seller, it is reasonable to assume that actual sales prices could vary widely from any estimate of fair value made without the benefit of negotiations. Additionally, changes in market interest rates can dramatically impact the value of financial instruments in a short period of time. Finally, the Company expects to retain substantially all assets and liabilities measured at fair value to their maturity or call date. Accordingly, the fair values disclosed herein are unlikely to represent the instruments' liquidation values, and do not, with the exception of securities, consider exit costs, since they cannot be reasonably estimated by management.

Accounting principles establish a three-level valuation hierarchy for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows.

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The estimated fair values and the valuation hierarchy of the Company's financial instruments as of December 31, 2022 and December 31, 2021 are as follows (in thousands):

		2022		2021	
Financial Assets:	**Fair Value Hierarchy**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and equivalents	1	$ 62,328	62,328	52,979	52,979
Equity securities	1	7,673	7,673	8,677	8,677
Debt securities, available-for-sale	1, 2	543,563	543,563	812,748	812,748
Debt securities, held-to-maturity	2	526,830	454,532	2,026	2,082
FHLB stock and Federal Reserve Bank stock	N/A	22,318	N/A	12,719	N/A
Loans held for sale	2	1,640	1,655	10,719	10,861
Loans-net	3	3,440,716	3,269,961	3,152,407	3,111,630
Financial Liabilities:					
Deposits:					
Demand, savings and money market accounts	1	$ 3,002,998	3,002,998	2,912,033	2,912,033
Time deposits	2	759,070	762,099	603,957	604,632
Borrowings	2	528,200	503,474	200,000	204,222
Junior subordinated debentures	2	51,547	51,186	51,547	49,550
Other financial instruments:					
Interest rate swap agreements, net	2	$ -	-	404	404
Letters of credit	2	94	94	130	130

(18) Fair Values Measurements

The following table presents for each of the fair-value hierarchy levels discussed in the previous Note and the Company's assets and liabilities that are measured at fair value on a recurring and non-recurring basis at December 31, 2022 and December 31, 2021 by caption on the Consolidated Balance Sheet (dollars in thousands).

		2022			
		Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	Total carrying value in the Consolidated Balance Sheet
Measured on a recurring basis:					
Assets					
Debt securities available-for-sale:					
U.S. Treasury	$	7,193	-	-	7,193
U.S. government sponsored enterprise obligations		-	389,519	-	389,519
State and municipal obligation		-	141,391	-	141,391
Equity securities		7,673	-	-	7,673
Corporate obligations		-	5,460	-	5,460
Interest rate swap agreements - non-designated		-	25,007	-	25,007
Total assets	$	14,866	561,377	-	576,243
Liabilities					
Interest rate swap agreements - non-designated		-	25,007	-	25,007
Letters of credit	$	-	94	-	94
Total liabilities	$	-	25,101	-	25,101
Measured on a non-recurring basis:					
Assets					
Loans					
Collateral dependent impaired loans	$	-	-	268	268
Other assets					
Other real estate owned		-	-	90	90
Total assets	$	-	-	358	358

		2021			
		Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	Total carrying value in the Consolidated Balance Sheet
Measured on a recurring basis:					
Assets					
Debt securities available-for-sale:					
U.S. Treasury	$	507	-	-	507
U.S. government sponsored enterprise obligations		-	623,816	-	623,816
State and municipal obligation		-	182,320	-	182,320
Equity securities		8,677	-	-	8,677
Corporate obligations		-	6,105	-	6,105
Interest rate swap agreements - non-designated		-	12,331	-	12,331
Total assets	$	9,184	824,572	-	833,756
Liabilities					
Interest rate swap agreements - designated	$	-	404	-	404
Interest rate swap agreements - non-designated		-	12,331	-	12,331
Letters of credit		-	130	-	130
Total liabilities	$	-	12,865	-	12,865
Measured on a non-recurring basis:					
Assets					
Collateral dependent impaired loans	$	-	-	1,386	1,386
Other assets					
Other real estate owned		-	-	92	92
Total assets	$	-	-	1,478	1,478

Impaired Loans and Other Real Estate

The Company values impaired loans and other real estate owned at the time the loan is identified as impaired or when title to the property passes to the Company. The fair values of such loans and real estate owned are estimated using Level 3 inputs in the fair value hierarchy. Each loan's collateral and real estate property has a unique appraisal and management's consideration of any discount of the value is based on factors unique to each impaired loan and real estate property. In estimating fair value, management may use the most recent available appraisal or may obtain an updated appraisal when, in management's judgment, conditions have changed such that the most recent appraisal may not be reflective of current fair value. The significant unobservable input in determining the fair value is management's subjective discount on appraisals of the collateral securing the loan or real estate property, which ranges from 10%-50%. Collateral for impaired loans may consist of real estate and/or business assets including equipment, inventory and/or accounts receivable and the value of these assets is determined based on appraisals by qualified licensed appraisers hired by the Company. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, estimated costs to sell, and/or management's expertise and knowledge of the client and the client's business.

Securities

Fair values for securities are determined using independent pricing services and market-participating brokers, or matrix models using observable inputs. The pricing service and brokers use a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to their pricing models include recent trades, benchmark interest rates, spreads, and actual and projected cash flows. Management obtains a single market quote or price estimate for each security. None of the quotes or estimates is considered a binding quote, as management would only request a binding quote if management had the positive intent to sell the securities in the foreseeable future and management believed the price quoted represented one from a market participant with the intent and the ability to purchase. Management evaluates the supplied price quotes against expectations of general price trends associated with changes in the yield curve and by comparing prices to the last period's price quote. Management employs an internal matrix model for non-traded municipal securities. The matrix model considers observable inputs, such as benchmark interest rates and spreads.

Fair values for equity securities that are recorded at fair market value to comply with ASU 2016-01, are determined by quoted market prices in active markets, if available (Level 1). The equity securities change in fair market value is recorded in the income statement.

Interest Rate Swap Agreements (Swaps)

The fair value of swaps is the amount the Company would expect to pay to terminate the agreements and is based upon the present value of expected future cash flows using the LIBOR and Wall Street Journal Prime swap curves, the bases for the underlying interest rates.

(19) Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized as non-interest income in the Consolidated Statement of Income.

The following table presents the sources of non-interest income for the periods ending December 31, 2022 and 2021, respectively (in thousands):

	2022	2021
Non-interest income:		
Service charges on deposit accounts	$ 20,212	$ 18,013
Trust and Investment Services	25,768	25,364
Net gain on sales of mortgage loans(a)	1,661	8,410
Loan servicing, net(a)	1,400	1,357
Loan-related fees(a)	377	360
Loss of securities transactions, net(a)	(20)	(45)
Other non-interest income(b)	1,336	2,887
Total non-interest income	$ 50,734	$ 56,346

(a) Outside of the scope of ASC 606
(b) Other non-interest income is made up of many small insignificant items, the largest of which is swap fees, which is outside the scope of ASC 606.

Non-interest income streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of non-transactional fees, such as account maintenance and dormancy fees, and transaction-based fees, such as ATM, wire transfer, and foreign exchange fees. The Company’s performance obligation for non-transactional fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. The Company’s performance obligation for transaction-based fees is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers’ accounts. The non-transactional fees for 2022 and 2021 were $1.4 million and $1.3 million, respectively, of the total service charges on deposits. The Company may, from time to time, waive certain fees (e.g., NSF fee) for the customers but generally do not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Waiver of fees reduces the revenue in the period the waiver is granted to the customer.

Trust and Investment Services (Wealth Management)

Trust and investment services (Wealth Management) charges customers a fee based upon an agreed percentage of assets under management, based on market value. The Company’s performance obligation is generally satisfied over time and the resulting fees are recognized on a monthly or quarterly basis. Wealth Management has a “Pledge of Accountability” under which fees earned could be reimbursed to the customer in the event of poor customer service. The reimbursement is not based on account performance and is only tied to quality of customer service. Due to the immaterial nature and infrequent nature, these reimbursed amounts do not reduce the transaction price. The reimbursement reduces the revenue in the period of the reimbursement to the customer.

Gains/Losses on Sales of Other Real Estate (“ORE”)

The Company records a gain or loss from the sale of other real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. Gain/Losses on the sales of ORE falls within the scope of ASC 606, if the Company finances the transaction. Under ASC 606, if the Company finances the sale of ORE to the buyer, the Company is required to assess whether the buyer is committed to perform their obligations under the contract and whether the collectability of the transaction price is probable. Once these criteria are met, the ORE asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. Generally, the Company does not finance the sale of ORE properties.

Board of Directors

The Canandaigua National Corporation and Canandaigua National Bank & Trust Board of Directors is composed of distinguished, local community members. We are honored to have their insights, participation, and support.

Standing: Lawrence A. Heilbronner-Kolthoff, Erika J. Duthiers, James H. Watters, Gary L. Babbitt, Michael C. Goonan, Robert G. Sheridan, Thomas S. Richards, Richard J. Plympton

Sitting: Frank H. Hamlin, III, Sue S. Stewart, George W. Hamlin, IV, Caroline C. Shipley, Daniel P. Fuller

Gary L. Babbitt

Director, Canandaigua National Corporation, January 1, 2019-present
The Canandaigua National Bank & Trust Company*
Director, January 1, 2019-present
Executive Vice President and Chief Lending Officer, 2008-December 31, 2019
Senior Vice President, Commercial Services, 2006-2007
Vice President, Commercial Services Officer, 1996-2005
Director, Secretary, and Executive Vice President, CNB Mortgage Company,** March 21, 2018-December 31, 2019
Director, Empire State Certified Development Company, 2011-2019
Finance Committee Member, ARC of Monroe County, 1992-2018

Erika J. Duthiers, Esq.

Director, Canandaigua National Corporation, December 21, 2022-present
Director, The Canandaigua National Bank & Trust Company*, December 21, 2022 - present
Associate Vice President of Compliance and Ethics and Deputy General Counsel, Rochester Institute of Technology, 2009-present
Trustee, The Strong National Museum of Play, 2016-present
Trustee, Monroe County Bar Association, 2017-2020
Trustee, Young Women's College Prep Charter School of Rochester, 2010-2018

Daniel P. Fuller

Canandaigua National Corporation
Vice Chairman of the Board, January 1, 2011-present
Chairman of the Board, 2008-2010
Director, 1996-present
The Canandaigua National Bank & Trust Company*
Vice Chairman of the Board, January 1, 2011-present
Chairman of the Board, 2008-2010
Director, 1996-present
President and General Manager, Bristol Mountain Ski Resort, December 1984-present
General Manager, Roseland Waterpark, 2003-present
Director and Treasurer, Ski Areas of New York (SANY), 1990-present
Director, UR Thompson Health System
Director, University of Rochester Medical Center
Director, SnoCountry Ski Areas Association

Michael C. Goonan

Director, Canandaigua National Corporation, 2015-present
Director, The Canandaigua National Bank & Trust Company*, 2015-present
University of Rochester Medical Center
Senior Financial Advisor, 2015-2021
Vice President and CFO, 1995-2015
Financial Operations, Strong Memorial Hospital,1984-1995
Consultant, Peat, Marwick, Mitchell & Co., 1975-1984
Director, Golisano Children's Hospital at Strong
Trustee, St. John Fisher College
Honorary Member, Board of Directors, Catholic Family Center
Director, Pluta Cancer Center Foundation
Parish Council Member, Church of the Transfiguration

Board of Directors, cont.

Frank H. Hamlin, III, JD
Canandaigua National Corporation
Director, President, and CEO, March 29, 2013-present
Director and President, January 1, 2011-present
Director, 2004-present
The Canandaigua National Bank & Trust Company*
Director, President, and CEO, March 29, 2013-present
Director and President, January 1, 2011-present
Director, 2004-present
CNB Mortgage Company**
Director and CEO, March 21, 2018-present
Chairman of the Board and CEO, June 27, 2013-March 20, 2018
Director, January 1, 2011-present
CNB Insurance Agency**
Director, President, and CEO, April 24, 2013-present
Director and President, 2011-present
Canandaigua National Trust Company of Florida*
Director and CEO, June 11, 2015-present
Director, President, and CEO, June 11, 2015-May 8, 2019
Director, 2011-June 10, 2015
Director, UR Thompson Health System, 2013-present
Director, Family Counseling Service of the Finger Lakes, 2022-present
Manager and CEO, WBI OBS Financial, LLC, 2011-February 29, 2020
Director, OBS Holdings, Inc., 2016-February 29, 2020
Director, Genesee Valley Trust Company, 2011-March 1, 2018
Croucher, Jones & Johns
Of Counsel, 2007-2010
Attorney, June 2001-2007

George W. Hamlin, IV, JD
Canandaigua National Corporation
Chairman of the Board, January 1, 2011-present
Chairman and CEO, January 1, 2011-March 28, 2013
Director, President, and CEO, 1984-December 31, 2010
The Canandaigua National Bank & Trust Company*
Chairman, Officer, Senior Policy Advisor, and
Consultant at Large, March 29, 2013-present
Chairman, CEO, and Trust Officer, January 1, 2011-March 28, 2013
Director, President, CEO, and Trust Officer, 1979-December 31, 2010
CNB Mortgage Company**
Director, 1998-present
Chairman and CEO, 1998-April 23, 2013
Chairman, Canandaigua National Trust Company of Florida,* 2009-present
Director and President, Canandaigua Area Development Corporation, 2011-present
Director, Genesee Valley Trust Company, 2008-March 1, 2018
Director and CEO, CNB Insurance Agency,** 1995-April 23, 2013
Director, Federal Reserve Bank of New York, 1997-2002
Chairman Emeritus, UR Thompson Health System, Chairman, 2004-2009
Chairman, Board of Managers of the Eastman School of Music
Member, Eastman School of Music National Council
University of Rochester Medical Center
Senior Member, 2018-present
Immediate Past Chair, 2015-2017
Chairman, 2013-2014
Vice Chair, 2011-2012
Audit Chair, 2009-2011
Director, 1985-2017
Center for Governmental Research
Fellow, 2011-present
Director, 2002-2010
Chairman and Investment Advisory Committee Member, Monroe Fund
Director and Vice President, New York Kitchen
Director and Vice President, Constellation Brands–Marvin Sands Performing Arts Center (CMAC), 2015-present
Trustee Emeritus, Rochester Museum & Science Center Member
Dean's Advisory Council, SUNY Brockport School of Business and Management, 2016-present
Trustee, Colgate Rochester Divinity School, 2014-present
Principal Member, Canandaigua Aircraft, LLC, 1999-present
Principal Member, Hamlin Consulting, LLC, 2016-present

Lawrence A. Heilbronner-Kolthoff, CPA
Canandaigua National Corporation
Director, December 10, 2014-present
Treasurer, Executive Vice President, and CFO, January 2014-December 31, 2018
Executive Vice President, CFO, and Principal Accounting Officer, 2007-2013
Senior Vice President, CFO, and Principal Accounting Officer, 2004-2006
The Canandaigua National Bank & Trust Company*
Director, December 10, 2014-present
Executive Vice President, CFO, and Cashier, January 2012-December 31, 2018
Executive Vice President and CFO, 2007-December 31, 2018
Senior Vice President and CFO, 2004-2006
Vice President, Finance, 1998-2004
Canandaigua National Trust Company of Florida*
Director, April 25, 2019-present
Executive Vice President and CFO, 2009-December 31, 2018
Owner and Principal, Heilbronner Consulting, November 28, 2018-present
Director, Treasurer, Executive Vice President, and CFO, CNB Mortgage Company,** 2002-December 31, 2018
CNB Insurance Agency**
Director, April 11, 2012-April 24, 2019
Director, Treasurer, and Executive Vice President, April 9, 2014-December 31, 2018
Director and Secretary, April 11, 2012-April 8, 2014
Executive Vice President, February 12, 2007-April 10, 2012
Director and Treasurer, Genesee Valley Trust Company, 2008-March 1, 2018
Manager, WBI OBS Financial, LLC, 2011-December 31, 2018
OBS Holdings, Inc.
Chairman, 2015-December 31, 2018
Director, 2011-2015

Board of Directors, cont.

Richard J. Plympton
Director, Canandaigua National Corporation, April 29, 2020-present
Director, The Canandaigua National Bank & Trust Company*, 2015 - present
Optimax Systems, Inc.
CEO, January 2013-present
CEO and Vice President of Sales, 1999-2013
Quality Control Manager, 1995-1999
Interim Chairman, Finger Lakes Advanced Manufacturers' Enterprise
Director and Treasurer, ANSI Optics and Electro-Optics Standards Council
Director, The Optica Foundation
Director and Treasurer, Quantum Loop Solutions
Executive Committee Member, Business Leaders United
Council Member, Rochester Philanthropy University of Rochester
Past Chairman, Finger Lakes Workforce Investment Board

Thomas S. Richards, JD
Director, Canandaigua National Corporation, 2004-2010 and January 15, 2014-present
Director, The Canandaigua National Bank & Trust Company*, 2004-2010 and January 15, 2014-present
Attorney, retired
Mayor, City of Rochester, 2011-2013
Corporation Counsel, City of Rochester, January 1, 2006-November 2010
Chairman, President, and CEO, RGS Energy Group, Inc., and Rochester Gas & Electric Corp., 1998-2002
Director, University of Rochester Medical Center
Trustee, University of Rochester
Trustee Emeritus, Rochester Institute of Technology
Director and Audit Committee Member, Rochester Area Community Foundation
Director, Sands Family Supporting Foundation
Director, Seneca Waterways Council, Boy Scouts of America
Director, Rochester Schools Modernization Program

Robert G. Sheridan
Canandaigua National Corporation
Director, 1992-present
Director and Secretary, 1992-2011
The Canandaigua National Bank & Trust Company*
Director, 1992-present
Executive Vice President, Cashier, and CRA Officer, 2007-2011
Senior Vice President and Cashier, 1989-2006
CNB Mortgage Company**
Director and Secretary, 1998-March 21, 2018
President, 2002-August 31, 2011
Director, Genesee Valley Trust Company, 2008-December 31, 2011
Director and Past President, Canandaigua Country Club, 1985-1990 and 2016-202

Caroline C. Shipley
Director, Canandaigua National Corporation, 1984-present
Director, The Canandaigua National Bank & Trust Company*, 1984-present
Treasurer and Council Member, First Congregational Church 1993-2022
Board of Managers, Ontario Children's Foundation–retired 2021
Canandaigua City School District Audit Committee–retired June 2017
Canandaigua City School District Board of Education
Member, 1979-2009
President, 1983-1991 and 2007-2009
Financial Manager, Dell Broadcasting, WCGR/WLKA, 1985-1991
Treasurer and Financial Manager, Sonnenberg Gardens, 1973-1984

Sue S. Stewart, JD
Director, Canandaigua National Corporation, 2000-present
Director, The Canandaigua National Bank & Trust Company*, 2000-present
Attorney, retired
Senior Vice President and General Counsel, University of Rochester, 2003-2012
Nixon Peabody LLP
Partner, 1978-2001
Managing Partner, Rochester Office, 1998-2000
Trustee and Audit Committee Member, John L. Wehle Sr. Foundation
Former Director, United Way of Greater Rochester
Co-chair of Board of Trustees and Audit Committee Member, National Center for Education and the Economy, 1997-2021

James H. Watters, PhD
Director, Canandaigua National Corporation, November 13, 2019-present
Director, The Canandaigua National Bank & Trust Company*, November 13, 2019-present
Senior Vice President and Treasurer, Finance and Administration, Rochester Institute of Technology, 1994-present
Vice Chairman, Rochester Institute of Technology Global
Board Member, Rochester Philharmonic Orchestra
Director, Broadstone Net Lease, 2007-present
Director, New York Kitchen, 2008-present
Director, Vnomics Corp., 2014-present
Director, Greater Rochester Health Foundation, 2009-2019

Emeritus Board Members

James S. Fralick
Alan J. Stone

* Wholly owned subsidiary of Canandaigua National Corporation
** Wholly owned subsidiary of Canandaigua National Bank & Trust

Canandaigua National Corporation and Canandaigua National Bank & Trust–Subsidiary Officers & Directors

Canandaigua National Trust Company of Florida (CNTF) Officers

Frank H. Hamlin, III, JD, Chief Executive Officer
Salvatore (Sam) Guerrieri, Jr., President
Vincent K. Yacuzzo, Executive Vice President and Chief Financial Officer
Jennifer N. Weidner, Esq., Senior Vice President, General Counsel, and Corporate Secretary
Dawn C. Priolo, Senior Vice President, Treasurer
Mark Buonaugurio, Senior Vice President, Senior Wealth Advisor
Maria E. Caton, CFP®, ChSNC®, AAMS®, Senior Vice President, Manager of Financial Planning Services
Jillian E. Dart, Esq., CTFA, Senior Vice President, Senior Trust Officer, and Group Manager
Suzanne Ellin, JD, CPA, CGMA, CTFA, CFP®, Senior Vice President, Trust Officer
Amy K. Boyd Ertel, Esq., CTFA, Senior Vice President, Senior Trust Officer, and Team Leader
Jason W. Fitzgerald, CFP®, Senior Vice President, Senior Wealth Advisor, and Team Leader
Laurie A. Haelen, AIF®, Senior Vice President, Director of Wealth Solutions
Stephen C. Krauss, CFA®, Senior Vice President, Senior Wealth Advisor
Adam R. Leszyk, CFP®, Senior Vice President, Senior Wealth Advisor
James F. Lieb, CTFA, Senior Vice President, Senior Trust Officer
Stephen R. Livingston, CFIRS, Senior Vice President, Compliance Manager
Vicki B. Mandrino, CRCM, Senior Vice President, Chief Compliance Officer
Stephen R. Martin, Senior Vice President, Community Affairs Director
Rita Nischal, Esq., Senior Vice President, Corporate Counsel
Tamra A.B. O'Donnell, Senior Vice President, Director of Corporate Marketing
Joy Ryen Plotnik, Esq., Senior Vice President, Senior Trust Officer
Kurt E. Rosen, Senior Vice President, Wealth Business Manager
Stephen A. Rossi, CFA®, CFP®, ChFC®, Senior Vice President and Senior Equity Strategist
Paul S. Tarantino, Senior Vice President and Senior Wealth Consultant
Scott B. Trumbower, Senior Vice President, Director of Shareholder Relations
Nancy E. Bowes, CFP®, Vice President, Wealth Advisor
Donna Cator, CFP®, CDFA, Vice President, Wealth Advisor
Ramona Green, CTFA, Vice President, Trust Officer
David P. Guzzetta, AFIM, CFMC®, Vice President, Wealth Advisor
Charlene S. Johnson, CPC, QPA, QKA, QPFC, TGPC, ERPA, Vice President, Retirement Services Officer
Deana M. King, Vice President, Fiduciary Compliance Officer
Mark S. Mazzochetti, CISP, Vice President, Retirement Services Officer
Lindsay A. Morrow, Vice President, Corporate Events Manager
Andrew W. Murray, Vice President, Wealth Advisor
Greg Pilato, CRPS®, Vice President, Wealth Advisor
Kevin Rankin, Vice President and Wealth Advisor
Louis B. Rossetti, Vice President and Trust Officer
Michael D. Schiller, CFP®, Vice President and Wealth Advisor
Linda J. Shannon, CAMS, CFE, Vice President, BSA/AML Compliance Officer
M. Beth Uhlen, CPA, Vice President, Wealth Operations Manager
Megan F. Barkley, Esq., Assistant Vice President, Trust Officer
Phillip W. Brown, JD, Assistant Vice President, Trust Officer
Erica B. Guilfoyle, Assistant Vice President, Fiduciary Compliance Officer
Matthew P. Sorce, CFP®, Assistant Vice President, Wealth Advisor
Catherine M. Burnett, Bank Officer, Wealth Operations Assistant Manager

CNTF Board of Directors

Mary Braxton-Joseph, Director
David Gorin, Director
Salvatore (Sam) Guerrieri, Jr., Director
Frank H. Hamlin, III, JD, Director
George W. Hamlin, IV, JD, Director and Chairman of the Board
Garth C. Harding, Director and Vice Chairman
Lawrence A. Heilbronner-Kolthoff, CPA, Director
Christine L. Jennings, Director
Nelle Miller, Director
Bernice W. Skirboll, Director
Janice A. Zarro, Director

CNB Insurance Agency Directors & Officers

David W. Gibbons, Director, Chairman of the Board, and Senior Vice President
Salvatore (Sam) Guerrieri, Jr., Director and Executive Vice President
Frank H. Hamlin, III, JD, Director, President, and Chief Executive Officer
Rita Nischal, Esq., Director, Senior Vice President and Property Casualty Broker
Jennifer N. Weidner, Esq., Director, Secretary, and Senior Vice President
Vincent K. Yacuzzo, Director, Treasurer, Executive Vice President, and Chief Financial Officer
Kurt E. Rosen, Senior Vice President, Operations Manager
Jerry W. Lack, CLTC®, ChFC®, Vice President, Wealth Insurance Advisor

Home Town Funding, Inc., d/b/a CNB Mortgage Company Directors & Officers

Salvatore (Sam) Guerrieri, Jr., Director and Executive Vice President
Frank H. Hamlin, III, JD, Director and Chief Executive Officer
George W. Hamlin, IV, JD, Director
Brian E. Pasley, Director, Chairman of the Board
Karen C. Serinis, Director and Executive Vice President
Vincent K. Yacuzzo, Director, Treasurer, Executive Vice President, and Chief Financial Officer
Charles J. Vita, Director, Secretary, and Executive Vice President
Christopher R. Spaker, President
Dana Lazenby, Senior Vice President, Mortgage Operations Manager
Kelly R. Crane, Vice President, Mortgage Compliance Officer
Kelly Masline, Vice President, Mortgage Loan Underwriter Supervisor

Canandaigua National Corporation and Canandaigua National Bank & Trust Officers

Canandaigua National Corporation Officers
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Vincent K. Yacuzzo, Executive Vice President and Chief Financial Officer
Jennifer N. Weidner, Esq., Secretary, Senior Vice President, and General Counsel

Canandaigua National Bank & Trust Officers

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Stephen R. Martin, Senior Vice President–Community Affairs Director
Rita Nischal, Esq., Senior Vice President–Corporate Counsel
Devin L. Palmer, Esq., Senior Vice President–Corporate Counsel
Jennifer N. Weidner, Esq., Senior Vice President–General Counsel

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Steven N. Branca, CPA, CMA, Vice President–Audit Manager

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Bethany L. Arnold, Vice President–Cash Management Manager
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Tracie G. Evans, Assistant Vice President–Cash Management Technical Supervisor
Andrea V. O'Sullivan, Assistant Vice President–Government Banking Business Development Representative

Jeffrey W. Barker, Senior Vice President–Group Manager, Business Banking and Resource Recovery
Bernard E. Belcher, Vice President–Commercial Services Officer/Business Banking Portfolio Officer
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Ann M. Lyon, Vice President–Resource Recovery Manager
Joshua R. Maxwell, Assistant Vice President–Commercial Loan Underwriter and Portfolio Manager
Marc J. Ferenchak, Bank Officer–Resource Recovery Portfolio Administrator
Brenda S. Whitney, Bank Officer–Resource Recovery Advisor

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Brendon S. Crossing, Senior Vice President–Group Manager, Commercial Services
Kevin A. DiGiacomo, Senior Vice President–Group Manager, Commercial Services
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Gregory L. Helmer, Vice President–Commercial Services Officer
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Brett W. Rawlings, Vice President–Commercial Services Officer
John V. Soldi, Vice President–Commercial Services Officer
Jason P. Tonkery, Vice President–Commercial Services Officer

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Stephen R. Livingston, CFIRS®, Senior Vice President–Compliance Manager
Deana King, Vice President–Fiduciary Compliance Officer
Cori Ann S. Zinter, AML/CA, CAMS, CRCM, CFCS, CFE, Vice President–Bank Compliance Officer
Erica B. Guilfoyle, Assistant Vice President–Fiduciary Compliance Officer
Jane E. Kehoe, Assistant Vice President–Bank Compliance Officer

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Brenda W. Stoker, Senior Vice President–Consumer Lending Operations Manager
Lori R. Ellis, Vice President–Senior Consumer Underwriter/Dealer Services Officer
Cheryl A. Hurd, Vice President–Senior Consumer Underwriter
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Kathleen E. Roos, Bank Officer–Consumer Lending Operations Supervisor
Elaine N. Zukaitis, Bank Officer–Home Equity Specialist

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Todd M. Billcliff, CFE, Vice President–Corporate Risk Manager
Linda J. Shannon, CAMS, CFE, Vice President–BSA/AML Compliance Officer
Ryan Kaiser, CFE, Assistant Vice President–Fraud Risk Manager
Christopher Evans, Bank Officer–Senior Enterprise Risk Analyst
Samantha S. Hudson, CBAP, CAMS, CFE, Bank Officer–Assistant BSA/AML Compliance Officer
Gina C. Jacques, CFE, CAMS, Bank Officer–Assistant Fraud Risk Manager
Tina L. Jones, CAMS, Bank Officer–Electronic Banking Risk Officer

Officers, cont.

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Jodi L. Houlihan, Vice President–Credit Review Manager
Sarah E. Housel, Vice President– Credit Review Manager
Thomas M. Rogers, Vice President–Risk Rating Model Manager/Senior Commercial Loan Reviewer
Susan E. Davis, Assistant Vice President–Collateral Control Manager
Joan M. Grambo, Assistant Vice President–Appraisal Review Program Manager
Michael J. Martin, Assistant Vice President–Credit Review Manager
Sheryl E. Pelow, Assistant Vice President–Credit Risk Operations Manager
Howard E. Allen, Bank Officer–Credit Analyst
Jason Cornwell, Bank Officer–Credit Analyst
Jason Natale, Bank Officer–Credit Analyst
Kristina S. Plants, Bank Officer–Credit Analyst
Lindsay M. Rinaldo, Bank Officer–Credit Analyst
Kevin H. Roat, Bank Officer–Credit Analyst

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Dawn C. Priolo, Senior Vice President–Treasurer
Barbara A. Wagner, Senior Vice President–Director of Operations
Jason A. Ingalls, CCBSO, Vice President–Facilities and Physical Security Manager
Jeffrey A. Holman, Assistant Vice President–Loan Operations Manager
Rebecca A. Long, Assistant Vice President–Bank Operations Manager
Jeffrey M. Ashline, Bank Officer–Facilities Project Manager & Architectural Designer
Joseph A. Hernandez, Bank Officer–Physical Security Officer
Eva M. Lynd Jones, Bank Officer–Loan Operations Supervisor
Shannon L. Nemitz, Bank Officer–Deposit Operations Specialist
Lisa Newton, Bank Officer–Electronic Banking Supervisor
Sean Quinlan, Bank Officer–Facilities Supervisor

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John B. Folkerts, CISSP®, Vice President–Information Security Manager
Jennifer R. Calhoun, MBA, CRVPM® III, Bank Officer–Third Party Risk Program Manager
Ryan P. Connolly, CRISC®, CySA+, Bank Officer–Information Security Risk Analyst
Greig W. Holman, CRVPM® IV, CBCP, Bank Officer–Business Continuity Program Manager

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Sandra U. Roberts, Senior Vice President–Chief Information Officer
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Robert J. Gardner, Bank Officer–Lead Systems Engineer
David G. Garner, Bank Officer–IT Manager, Desktop Support
Joseph S. Legan, Bank Officer–IT Support Manager
Matthew Y. O'Hara, Bank Officer–IT Manager, Salesforce Platform
Chris Shopp, Bank Officer–Lead Cyber Security Engineer
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Michael B. Whipple, Bank Officer–IT Manager, Business Analysis

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Peter Horvath, Vice President–Market Research and Insights Manager
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Katie Gross, Senior Vice President–Retail Regional Manager
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Sarah M. Coriale, Assistant Vice President–Call Center Manager
Julie Pearl, Bank Officer–Retail Operations Team Lead

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Scott B. Trumbower, Senior Vice President–Director of Shareholder Relations
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Kirsten S. Johnson, Bank Officer–Shareholder Relations Specialist

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Maria E. Caton, CFP®, ChSNC®, AAMS®, Senior Vice President–Manager of Financial Planning Services
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Adam R. Leszyk, CFP®, Senior Vice President–Senior Wealth Advisor
Brian J. Murphy, CIMA, Senior Vice President–Chief Investment Strategist
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Donna L. Cator, CFP®, CDFA, Vice President–Wealth Planning Advisor
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Gregory S. Pilato, CRPS®, AWMA®, Vice President–Wealth Advisor
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Dustin L. Baker, Assistant Vice President–Wealth Advisor
Andrew Parisian, CFP®, Assistant Vice President–Wealth Advisor
Matthew Sorce, CFP®, Assistant Vice President–Wealth Advisor
Heather Aspenleiter, Bank Officer–Wealth Associate Supervisor
Alexander V. Bell, Bank Officer–Wealth Advisor

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Louis B. Rossetti, CTFA, Vice President–Trust Officer
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Bowee Clark, Bank Officer–Trust Associate Supervisor
Rebecca M. Leusch, Bank Officer–Trust Officer

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Margaret W. Whelehan, CFP®, CDFA, Vice President–Financial Advisor
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Mark S. Mazzochetti, CISP, Vice President–Retirement Services Officer
M. Beth Uhlen, CPA, Vice President–Wealth Operations Manager
Catherine M. Burnett, Bank Officer–Wealth Operations Assistant Manager
Eileen M. Treat, Bank Officer–Fiduciary Compliance Analyst

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Kim Brewer, Assistant Vice President, Community Office Manager
Ethan Rice, Community Office Assistant Manager

Brighton
Iva Doser, Vice President, Community Office Manager
Amanda Steele, Community Office Assistant Manager

Brockport
Michelle Stevens, Vice President, Community Office Manager
Melissa Beadle-Wencek, Community Office Assistant Manager

Canandaigua–Lakeshore
Kimberly A. Sorel, Vice President, Community Office Manager
Christopher Harvey, Community Office Assistant Manager

Canandaigua–Main Office
Deborah Rought, Vice President, Community Office Manager
Ruth Smith, Community Office Assistant Manager

Chili
Suzanne M. Wedgwood, Vice President, Community Office Manager
Tristen Mandara, Community Office Assistant Manager

Customer Call Center
Patricia Pape, Vice President, Call Center Operations Manager
Sarah Coralie, Assistant Vice President, Call Center Manager

Farmington
Christopher Guck, Assistant Vice President, Community Office Manager
Kelly Cochrane, Community Office Assistant Manager

Geneva
Diana Perry, Assistant Vice President, Community Office Manager
Polly Clark, Community Office Assistant Manager

Greece–Latta & Long Pond
Alicia Welch, Assistant Vice President, Community Office Manager
Donna Kretchmer, Community Office Assistant Manager

Greece–Ridge
Emma Netto, Assistant Vice President, Community Office Manager
Catherine Funston, Community Office Assistant Manager

Henrietta
Carol Love, Assistant Vice President, Community Office Manager
Liliana Patino, Community Office Assistant Manager

Honeoye
Amy L. Force, Assistant Vice President, Community Office Manager
Brittany Naughton, Community Office Assistant Manager

Honeoye Falls
Steven R. Benz, Vice President, Community Office Manager
Casey Rizzo, Community Office Assistant Manager

Irondequoit
Gail Bellucco, Vice President, Community Office Manager
Andrea Gillette, Community Office Assistant Manager

Manchester-Shortsville
Melissa DeSain, Assistant Vice President, Community Office Manager
Amy E. Eagley, Community Office Assistant Manager

Mendon
Aaron Gillette, Assistant Vice President, Community Office Manager
Elizabeth Yeager, Community Office Assistant Manager

Penfield
Amity Decker, Assistant Vice President, Community Office Manager
Nicole Stackhouse, Community Office Assistant Manager

Perinton
Christopher Pedrone, Vice President, Community Office Manager
Kristen Littlefield, Community Office Assistant Manager

Pittsford
Harry Gibbs, Vice President, Community Office Manager
Jaimie Mulliger, Community Office Assistant Manager

Rochester–Alexander Park
Selvia Hanna, Vice President, Community Office Manager
Jesse Jankowski, Community Office Assistant Manager

Rochester–College Town
Javier Quintana, Assistant Vice President, Community Office Manager
Kyle Duthoy, Community Office Assistant Manager

Rochester–East Main
Louis P. Nau, Vice President, Community Office Manager
Zuhri Lahmaar, Community Office Assistant Manager

Victor
Kristy Merriman, Assistant Vice President, Community Office Manager
Myranda Garza, Community Office Assistant Manager

Webster–BayTowne
Demet Guler, Assistant Vice President, Community Office Manager
Danorah Cox, Community Office Assistant Manager

Webster–Jackson-Ridge
Joseph Maggio, Vice President, Community Office Manager
Laurie Mark, Community Office Assistant Manager

Community Advisory Committees

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Sandra S. Jackson
Kyle T. Marianacci
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Ben Testa

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Frank S. Macri
Ellen Polimeni
Deborah E. Rought*
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Dr. Steven M. Ess
Debra Rinck
Suzanne M. Wedgwood*
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Kristine A. Singer

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Barry I. Shapiro

Irondequoit Office
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Charles Hinkel
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Manchester-Shortsville Office
Melissa DeSain*
Rosanna Foster
Todd Freelove
Jeffery Gallahan

Mendon Office
Aaron Gillette*
Kyle Stevens
Kenneth R. Kraus

Penfield Office
Amity Decker*
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Perinton Office
Paul Maciaszek
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Pittsford Office
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Harry Gibbs*
Pamela J. Gratzer

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Louis Maier
Peter S. Mohr
William G. Shaheen

Rochester–College Town Office
Jamie Bishop
Javier Quintana*

Rochester–East Main Office
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Jennifer R. Jones, CPA
Louis P. Nau*

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Donald J. Culeton
Kristy Merriman*
Mark Hamilton
Mike Kauffman
Rebecca Melton

Webster–BayTowne Office
Demet Guler*
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Michael A. Sciortino
Ken Aufsesser

Webster–Jackson-Ridge Office
Elena M. Bernardi
Scott Gosert
Joseph Maggio*

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A. Thomas Hildebrandt
Laurie Kopin
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Renae Cooney
Meg Fuller
Amy Pepe
Barry Shapiro
Michael Steger
Rich Walters

*Community Office Manager

The Arthur S. Hamlin Award for Excellence

Congratulations to this Year's Recipients, Joseph Legan and Jan Schrader

Every year, the Bank recognizes the outstanding contribution of one of its own with the Arthur S. Hamlin Award. Employees are encouraged to nominate one of their peers who has demonstrated exceptional performance and dedication to the Bank.

"It feels like yesterday that I started in Operations at CNB. I started working here as a part time job while going to school and never expected it to be more. To think I'd go from a data entry position to running one of the busiest departments within the bank has truly been a reward in and of itself. I couldn't be more blessed to have found this team, this company, and this family. Especially throughout the pandemic, where many companies saw losses, we persevered through hard work and determination–and we did it together. I am especially thankful for the support of my team and my family, without whom I wouldn't be the person I am today. Thank you all!"

–Joseph Legan, 2021 Arthur S. Hamlin Award Recipient

"It was an honor to be selected an Arthur S. Hamlin Award winner. Arthur was the epitome of CNB's core values. I worked on the committee that created the award and know that he lived each day according to those tenets. I join a group of exemplary employees who have been selected over the years. As my career at CNB comes to an end I am sure many more well-deserved nominations will be entered, and stellar winners declared. CNB is a wonderful company to work for–made so by all of the dedicated, caring people who give their all every day for customers and co-workers alike."

–Jan Schrader, 2021 Arthur S. Hamlin Award Recipient

2022 NOMINEES

Kayla Domville
Rob Gardner
Sarah Housel
Tammy Langdon
Jamie Marano
Todd Mihaly
Lindsay Mohr
Tyler Rossiter
Kelly Rotter
Mike Schiller
Alyssa Serinis
Drew Shafer
Karen Tinsmon

PAST RECIPIENTS

Jeffrey A. Holman 2020
Samantha A. Johnson 2019
Diana Wright 2018
Dana Mayeu 2017
Shannon Nemitz 2016
Gehrig Lohrmann 2015
Rebecca Long 2014
Lauren Kolb 2013
Kathy Amberge 2012
Brendon Crossing 2011
Darlene Rogers 2011
Lori R. Ellis 2010
Kathleen A. Housel 2009
Chris Keys 2008
Barbara Finch 2007
Jim Terwilliger 2006
Brenda Whitney 2006
Vicki Mandrino 2005
Michael Mandrino 2004
Tamra O'Donnell 2004
Lisa Blakesley 2003
Jason Ingalls 2002
Brenda Stoker 2001
Lena Hayes 2000
Dawn Phelps 1999
M. Beth Uhlen 1998
Kathy Lafler 1997
Jeannie Blance 1996
Amy Eagley 1995
Regina Kesel 1995
Susan Foose 1994
Kathleen Corry 1993
James Roth 1992
Michael O'Donnell 1991
Jerry Drake 1990
Linda Keyes 1989

Thank You for Your Service

We would like to acknowledge the following colleagues who retired from CNB in 2022. We are grateful for the contributions they made throughout the years. The longevity of our employees is a shining example of CNB's outstanding culture and we are pleased to highlight these individuals' exceptionally long careers. After all, it is our people who make the difference. Congratulations on your retirement!

NAME	YEARS OF SERVICE
Dawn Driscoll	23 years
Jennifer Everhart	22 years
Jim Guido	25 years
Lena Hayes	34 years
Mike Mandrino	26 years
Vicki Mandrino	42 years
Stephen Martin	44 years
Heidi Pearsall	22 years
Jan Schrader	37 years
Glenda Sheehe	35 years
Jim Terwilliger	20 years
Diana Wright	12 years
Elaine Zukaitis	20 years

Stephen R. Martin

Thank you for your remarkable commitment to CNB, your colleagues and our community. Enjoy your well-earned retirement.

After more than 44 years of being an extremely valuable member of the Canandaigua National Bank & Trust (CNB) family, effective December 31, 2022, Steve Martin retired from his position as Senior Vice President, Community Affairs Director.

Steve has had a long and distinguished career at CNB, holding a variety of positions to include leading our Human Resource efforts; managing Marketing, Advertising, and Public Relations; supporting our Community Reinvestment efforts; and most recently as director of CNB's Community Affairs initiatives.

His commitment to the community and dedicated representation of the Bank is unrivaled. Steve served on more than 60 local, state and national boards and committees throughout his career. Most recently that includes Chairman of the Finger Lakes Community College Board of Trustees; Advisory Board member of the Canandaigua Area Development Corporation; Board of Directors and Steering Committee member of the National Women's Hall of Fame; Co-founder of the Neighbor to Neighbor Community Fund and Board of Trustees member of the Landmark Society of Western New York.

Perhaps even more impactful has been Steve's effect on the development of CNB's culture and unofficially as the conscience of the company. His support of colleagues at all levels, putting people in just the right position or board, in the path of someone they must meet, nominating them for an award or simply lending an ear when they needed it most, will leave the greatest legacy. His aptitude for knowing exactly what people needed and when, is a true gift and simply irreplaceable.

"When I think of Steve, I think of caring for others, integrity of self and intellect, thoughtful, and especially a gentleman. But most of all, I think of him as a colleague and my friend for 44 years. I couldn't have done all this without him. Steve was very, very important to our success," shared George W. Hamlin, IV, Chairman of the Board.

Steve's kindness, thoughtful guidance and unwavering loyalty of this institution and its people will be felt far into the future. We wish him a retirement filled with all that he loves: family, golf, travel and cheering on the Syracuse Orange and Baltimore Orioles! Congratulations Steve!

Vicki Mandrino

Thank you for four decades of unwavering dedication to CNB. Congratulations on your retirement.

Vicki Mandrino has been a part of our CNB family since 1980, which is a remarkable 42 years of employment. She has been an integral part of the growth and expansion of the Compliance area since she became the Compliance Officer in 1993 (a team of one) and the Chief Compliance Officer in 2018. Vicki's mantra has always been about maintaining a strong standard of compliance, while imposing the least impact on our customers.

Vicki has served CNB as an exceptional leader, mentor, coach and a valuable resource for employees due to her extensive compliance knowledge.

"When Vicki shared with me that it was time to retire at the end of 2022, I think I stopped breathing for a split second while I considered my work week without her presence in my life professionally. We have all learned so much from her; and not just on compliance topics; but how she carries herself professionally, her written skills, presentation skills and ability to communicate on a topic, has been exceptional," said Roz Zatyko, Executive Vice President.

She received the distinguished Arthur S. Hamlin award in 2005. And her dedication to the community, profession, and colleagues was also recognized by a well-deserved ATHENA nomination in 2017.

Most important of all, Vicki is a proud wife, mother, sister and grandmother of two beautiful grandchildren! We wish her all the best in her retirement! Thank you, Vicki!

Michael A. Mandrino

Thank you and Congratulations

Mike Mandrino has retired as Senior Vice President, Chief Technology Officer, after a distinguished 26-year career. Mike has been our Chief Technology Officer since 1996 and has played a critical role in the success of this organization. His expertise and leadership was vital to CNC's ability to build, support, and defend our technical infrastructure, our internal and customer facing systems, and our end user capabilities. His work behind the scenes has had a beneficial impact on customers and colleagues alike.

In recent years, Mike has assumed the additional responsibilities of leading the Applications Development & Data Warehouse Team and helped define and implement our Digital Transformation Strategy with Salesforce and nCino, becoming CNB's resident expert. He has been described by his colleagues as detail-oriented, thorough, tenacious and a mentor to many, providing a positive influence on many careers during his tenure.

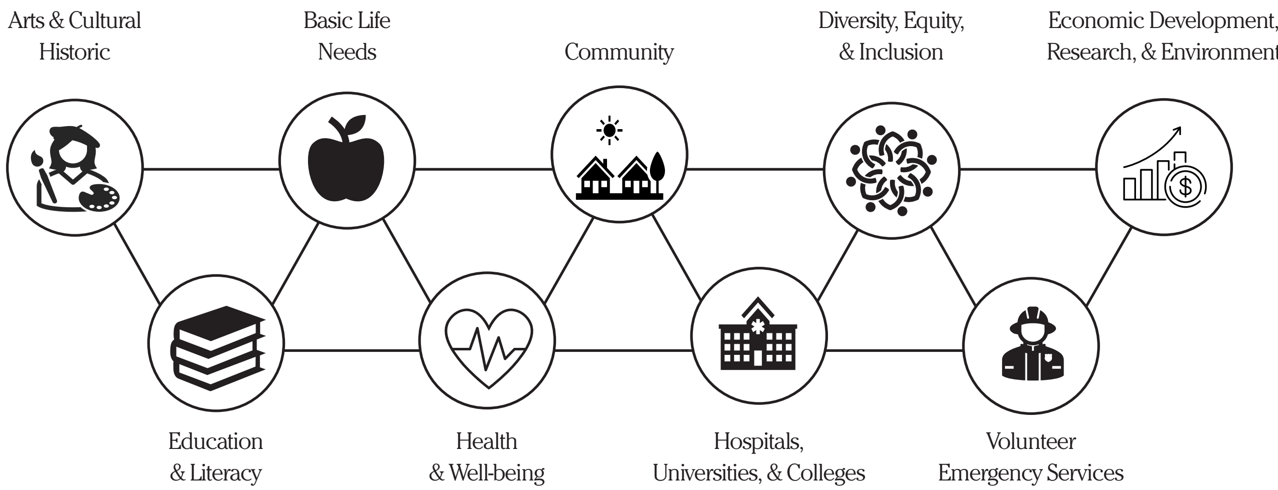
Mike is also an avid soccer player and fan, and has coached the Girls Junior Varsity Soccer team at Victor High School since 2000. His community involvement and extraordinary work were recognized when he received the Arthur S. Hamlin Award in 2004.

Mike's positive effect on his coworkers and his critical role in building CNB's technology infrastructure will be long lasting. We wish him the very best in his retirement! Congratulations Mike!

Corporate Giving

Canandaigua National Corporation has a long history of supporting our communities and local organizations, which is represented collectively through contributions, sponsorships, board participation, and volunteerism. We are not just part of the community; we are woven into the very fabric of it.

Our commitment to the community through contributions, sponsorships, and volunteerism remains strong. In 2022, we supported over 325 organizations with contributions and over 190 more through sponsorships and volunteerism, spanning a variety of causes and categories represented below.



Diversity, Equity, Inclusion
CNC is committed to equal rights and acceptance for all. Formally established in 2018, the Diversity, Equity, and Inclusion Committee is comprised of over 50 members from across the organization. This group provides valuable insights and input as we work to distribute our contributions in this category. This year, we are proud to say that over 60 organizations received support to advance their missions and initiatives.

2022 United Way Campaign Challenge Grant
CNB has a long history of supporting United Way with contributions, sponsorship, and volunteerism, including taking leading roles in past annual campaigns.

Frank H. Hamlin, III was honored to be selected to chair the first ever six-county United Way Campaign. In this role, Frank led the charge to work with individuals and companies alike, with the goal to make the 2022 Campaign the most successful ever.

To further support these efforts, CNB established a Double Your Impact $500,000 Challenge Grant, in which all new and increased donations to United Way's Community Impact Fund were matched, dollar-for-dollar, up to $500,000 which supported efforts that culminated in an impressive $17.9 million annual campaign. Combined with additional United Way grants and initiatives, a grand total of $35.8 million was raised. CNB's matching gift to United Way was in addition to a record level of employee contributions in our workplace campaign, record volunteer turnout for Day of Caring and the company's annual support of more than 325 organizations that serve our community.

CNB Celebrates Success

In 2022, CNB was honored with multiple awards acknowledging our products and services, training programs, corporate culture, leadership, and innovation.

CNB was voted the winner in the category of Best Bank and Best Mortgage Lending Company for *The Democrat and Chronicle's Rochester's Choice Awards*. It's the Rochester Communities chance to share their appreciation and commitment to the businesses they favor most.

In the category of Investment Firm, CNB Wealth Management was voted as a Finalist by the area's readers for the *The Democrat and Chronicle's Rochester's Choice Awards*.

Canandaigua National Bank & Trust (CNB) was awarded *2022 Best of the Finger Lakes Awards* in two (2) Finance categories; Bank and Wealth Management. The awards were presented by Messenger Post Media and celebrate the best businesses, organizations, people and more that YOU think deserve to be named the best!

CNB was a finalist in the category of Best Bank for the *2022 Finger Lakes Times Readers' Choice Awards*. The awards celebrate the best businesses, organizations, people and more that YOU think deserve to be named the best!

RBJ Reader Rankings has recognized CNB as best in the Rochester area in the category-Best Business Banking. This online survey seeks the best of the best in over 55 categories and gives the RBJ and The Daily Record audience the chance to spotlight their favorite businesses.

CNB was recognized as one of the top 3 in the categories of Best Company Culture, Best Overall Company to Work For (501-1000), Best Overall Leadership, Most Innovative Workplace and Best Mortgage Lender by *RBJ Reader Rankings*. This online survey seeks the best of the best in over 55 categories and gives the RBJ and The Daily Record audience the chance to spotlight their favorite businesses.

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Exceptional Employees, Exceptional Service

What truly sets CNB apart from other financial institutions is the quality and commitment of your neighbors, friends and family members who are our employees.

We've assembled a diverse team of people who share a primary focus: to provide exceptional service for our customers. Our employees are supported by a corporate culture at CNB that is second to none. Celebrating milestone anniversaries, seeking regular feedback with surveys and focus groups, fostering wellness and DEI committees, giving out free CNB swag and appreciating employees is what we do, in all seasons.



Wholehearted Support of United Way

CNB President and CEO, Frank H. Hamlin, III, chaired the first-ever six-county United Way Make Way for Good 2022 campaign, with remarkable results for our community.

CNB's $500,000 Challenge Grant—a dollar-for-dollar match of all new and increased donations to United Way of Greater Rochester and the Finger Lakes' Community Impact Fund—supported efforts that culminated in an impressive $17.9 million annual campaign. On top of that, CNB delivered record levels of employee contributions in our workplace campaign and volunteer participation in the United Way Day of Caring—in addition to the company's annual support of more than 325 organizations that serve our community.



Photograph by Peter Blackwood. See more photos at blackwoodphoto.com